

سكنا من الاجل

FINANCIAL TIMES

Start the week with...

Scottish devolution

What business thinks about it

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Management

The new driver at Mazda

Michiyo Nakamoto, Page 16

Today's surveys

Queen's Awards Latin American mining

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World Business Newspaper

MONDAY APRIL 22 1996

WTO near to deal on \$500bn-a-year telecoms market

The US, European Union, Japan and Canada moved closer to an accord in World Trade Organisation negotiations to liberalise the global telecommunications market worth more than \$500bn a year - leading to optimism that remaining problems could be settled by the WTO's deadline at the end of this month, after nearly two years of talks. Page 24; Quad trade talks, Page 4

G7 optimistic on world economy: The Bundesbank's unexpected decision last week to cut German interest rates has left Group of Seven finance ministers cautiously optimistic on the future of the world economy. Sluggish European growth was the main cause of concern at the meeting, held ahead of the spring meetings of the International Monetary Fund and World Bank. Page 24; Pledge on Russian nuclear safety, Page 2; Wolfensohn's task, Page 22; Editorial Comment, Page 23

German union warns on pay freeze: The union representing Germany's public sector workers warned it would not accept a wage freeze as part of government spending cuts and other measures to revive the economy. Page 2

Affiliates plans to invest \$500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, chairman of the German insurer Dr Henning Schulte-Noelle said. Page 25

Group rivals world accounting body: The UK is to head a grouping of the world's leading accounting standard setters, challenging the International Accounting Standards Committee which has pushed for international harmonisation. Page 5

Italy goes to polls again: Italians voters went to the polls to elect the 13th government since the second world war, with a close result predicted by rival centre-left and rightwing alliances. Page 2

UK wins \$7.6m tool investment: The US's biggest machine tool producer Giddings & Lewis has chosen the UK for a new production line involving an expected investment of about £5m (\$7.6m) over the next two years. Page 5

Banco Santander, Spain's leading bank, paid Ptas50n (\$400m) to become the biggest single private shareholder of electrical utility Endesa, which is 66 per cent government-owned. Page 27

Call for limit on IMF gold sales: Belgian finance minister, Philippe Maystadt, wants a change in the International Monetary Fund's rules to limit the amount of the fund's gold reserves it can sell. Page 5

Finland train crash kills four: Four people were killed and more than 40 injured when a sleeper train from the north of Finland derailed in thick fog about 45km north of Helsinki.

Rivals groups claim Delhi bomb: Two separatist groups claimed responsibility for a powerful bomb that killed at least 17 people, including two Britons, and injured 32 in New Delhi.

Egypt releases Canard liner: Egypt has agreed to release Canard's luxury liner Royal Viking Sun after receiving a \$23.5m letter of security from the ship's insurers covering claims for damage to Red Sea coral reefs which it struck two weeks ago.

Mexican wins third London marathon:



Dionicio Ceron of Mexico became the first man to win the London marathon three successive times with a time of 2:10:02. Britain's Liz McColgan won the women's race in a time of 2:27:54. About 4,000 of the 27,000 runners needed treatment as temperatures reached 25°C (75°F).

European monetary system: In a week which saw the Bundesbank cut its discount rate to the lowest level in eight years, the order of currencies in the EMS grid remained the same. Austria, Belgium, Denmark and the Netherlands also cut their rates. The spread between currencies was also largely unchanged. Currencies, Page 41

EMS: Grid April 19, 1996



The short shots ... member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilders which move in a 2.25 per cent band.

Country	Code	Rate	Country	Code	Rate
Albania	ALL	200	Denmark	DKK	136.48
Andorra	ADP	166.64	France	FF	166.64
Austria	S	13.7603	Germany	DM	100
Belgium	B	36.3633	Italy	L	2036.27
Canada	C\$	70.9056	Japan	Y	109.4008
Chad	CFA	200	South Korea	W	1000
Czech Rep	CZK	166.64	Singapore	S\$	70.9056
Denmark	DKK	136.48	Taiwan	N	100
Dominican Rep	DOP	200	UK	£	100
Ecuador	US\$	100	USA	\$	100
Finland	F	5.94573			
France	FF	166.64			
Germany	DM	100			
Greece	Dr	200			
Hong Kong	HK\$	70.9056			
India	Rs	100			
Indonesia	Rp	1000			
Italy	L	2036.27			
Japan	Y	109.4008			
Korea	W	1000			
Malaysia	M\$	70.9056			
Mexico	MX\$	100			
Netherlands	fl	100			
New Zealand	NZ\$	70.9056			
Norway	Nkr	100			
Poland	Zl	100			
Portugal	Esc	200			
Romania	Lei	100			
Saudi Arabia	Riyal	100			
Spain	Ptas	166.64			
Sweden	Kr	100			
Singapore	S\$	70.9056			
Slovenia	Tolar	100			
South Africa	Rand	100			
Switzerland	Sfr	100			
Taiwan	N	100			
Tanzania	Sh	100			
Thailand	Baht	100			
Turkey	Lira	100			
USA	\$	100			
UK	£	100			
Yugoslavia	Dinar	100			

Israel eases Lebanese air attacks

Artillery barrage continues as dual peace initiatives delay ceasefire

By Julian Ozanne in Jerusalem and David Gardner in Beirut

Israel eased its aerial bombardment of Lebanon yesterday but continued its relentless artillery shelling as separate initiatives being pursued by France and the US delayed conclusion of a ceasefire.

The Israeli air force was ordered to reduce strikes against targets across Lebanon, which have been criticised in Israel as ineffective against pro-Israeli Hizbollah guerrillas.

But the army maintained its

artillery barrage, firing several hundred large calibre shells into Lebanon, and the Israeli navy kept up for a fourth day its shelling of the coastal road linking Beirut to the south.

Hizbollah guerrillas fired at least 20 Soviet-made Katyusha rockets into northern Israel.

The continued violence came despite the presence in the region of the foreign ministers of the US, France, Russia and Italy who are trying to arrange a ceasefire.

Despite hopes that the four ministers might co-operate on a joint proposal, it became clear

that the US and France were continuing to pursue independent initiatives which divided Israel from its Arab foes.

However, western diplomats said it might still be possible to get a temporary agreement "within hours" to halt the violence and allow the diplomats to negotiate a formal ceasefire.

Mr Shimon Peres, Israel's prime minister, said yesterday after meeting Mr Warren Christopher, US secretary of state, in Jerusalem that despite the various diplomatic efforts, the one channel for negotiations was the

US, Israel's closest ally. "We shall not reject to see any one... but we cannot have three agreements on the same issue because this will mean no agreement at all," he said.

Israel backs Mr Christopher's ceasefire mission while Lebanon, Syria, Iran and Hizbollah have endorsed the proposals of Mr Hervé de Charette, French foreign minister.

The US proposal seeks to enhance the oral July 1993 understandings which pledged both Israel and Hizbollah to cease attacks on civilians and restrict

attacks to military personnel in Israel's occupation zone in southern Lebanon.

The US initiative also seeks to guarantee Israel's right to return fire if it is attacked from civilian areas and attempts to get Syria to make formal commitments to guarantee the ceasefire.

Mr Peres, facing May 29 elections, backs the US proposal because it will allow him to emerge with credit in front of the Israeli public. Israel also prefers

Continued on Page 24
No short-term solutions, Page 3

UK may retaliate with ban on imports of EU beef

By George Parker and Alison Maitland in London

The UK government is considering a total ban on imports of European beef in a move that could upset trade relations in the European Union.

The British prime minister Mr John Major is said to be "incandescent" over the EU's refusal to lift the worldwide ban on British beef exports, and is studying a range of retaliatory measures.

One extreme option is a ban on all EU beef imports to Britain, on the grounds that other member states have also reported cases of BSE, or mad cow disease.

Imports of EU beef from animals over 24 months old have been subject to an effective ban since the UK prohibited cattle over this age from entering the food chain at the end of last month.

It appears the government is now considering a formal import ban, covering meat from younger animals as well, which would be open to challenge by other EU countries or UK beef importers.

Mr Major is said to be determined to increase pressure on other member states to lift the export ban imposed on March 27 - even at the risk of causing severe political strains in the EU.

While such a move would win favour with Eurosceptics in the ruling Conservative party, it seems certain to infuriate and embarrass Britain's EU partners at a time when the government and farm leaders are stepping up pressure for the ban to be lifted.

Mr Douglas Hogg, UK agriculture minister, is due to meet Mr Franz Fischler, EU agriculture commissioner, in Brussels tomorrow to discuss measures the UK is taking to eradicate BSE.

Sir David Nash, president of Britain's National Farmers' Union, will seek to persuade Mr Philippe Vasseur, the French agriculture minister, of the need to lift the ban at a meeting today.

UK ministers acknowledge that a ban on European beef imports would need to be legally watertight. They argue that Britain has taken steps to minimise the threat of BSE spreading to

Continued on Page 24
Exporters win awards, Page 6

US-Russia arms progress marred by Nato tension

By Chrystia Freeland and Bruce Clark in Moscow

The US and Russia yesterday made progress towards resolving differences over two arms treaties as Moscow formally backed an international nuclear test ban.

However, tensions between the two countries surfaced over Nato's eastward expansion plans.

President Bill Clinton said after five hours of talks with Russian president Boris Yeltsin that "real progress" was made on the vexed issue of what sort of anti-missile defences are allowed by the 1972 anti-ballistic missile treaty.

He also said the two sides moved closer to finding a formula for the amount of armour that Russia may deploy in the Caucasus region under the 1990 conventional forces in Europe treaty.

The talks followed a weekend summit with leaders of the Group of Seven leading industrial nations designed as a showcase of the post-cold war amity between east and west. It offered Mr Yeltsin a valuable political boost ahead of presidential elections on June 16.

But yesterday's meeting was marred by Mr Yeltsin's very public reassertion of his opposition to Nato's eastward expansion.

The Russian leader created an embarrassing moment for his US guests by claiming the US had agreed to lobby western partners to be more sympathetic towards the Russian position on Nato.

"Nato expansion will not be speeded up, at our request, for some time. President Clinton promised to use his influence on his allies on this," Mr Yeltsin said at a joint appearance with Mr Clinton.

Mr Yeltsin also said he hoped the dispute between Russia and

the west over Nato enlargement could be resolved by "a provision that no country may be accepted without Russia's agreement".

His proposal contradicts the official western position that Moscow will not be allowed the power of veto over Nato's new members.

Mr Clinton sought to smooth over the incident, saying only there had been no changes in Washington's position on Nato expansion.

But Mr Yeltsin's uncompromising stance echoed the tough remarks he made on Saturday, during the G7 meeting, when he attacked the US for stationing nuclear arms on the territory of its non-nuclear allies.

Despite Mr Yeltsin's harsh remarks on Nato enlargement, G7 leaders took pains to enhance their host's political prestige.

The G7 asked Mr Yeltsin to urge China to join an international ban on nuclear tests when he visits Beijing this week. Moscow formally backed the treaty over the weekend, but winning Chinese support is seen as a more serious obstacle to international negotiations in Geneva.

Mr Clinton also offered the Kremlin leader some relief from the increasingly strenuous criticism western human rights organisations have made of the war in Chechnya.

Although Mr Clinton urged Russia to seek a diplomatic solution to the conflict, he also insisted that Chechnya was part of Russia and drew a parallel between Mr Yeltsin's 16-month battle to keep Chechnya within the Russian Federation and the US civil war.

The summit participants issued a communique pledging to work together to improve international



Bill Clinton (left) and Boris Yeltsin were presented with flowers by bystanders while touring the Kremlin yesterday. "Today we took yet another step back from the nuclear precipice," Mr Clinton said.

nuclear safety standards and Ukrainian president Leonid Kuchma reiterated his promise to close the Chernobyl nuclear power plant by 2000.

Moscow agreed to join an international ban on dumping nuclear wastes at sea, a Russian practice as recently as 1993.

Safety tops priorities, Page 2
Editorial Comment, Page 23

Bell Atlantic and Nynex set to announce \$50bn merger

By Tony Jackson in New York

The much-rumoured \$50bn merger of Nynex and Bell Atlantic, the two regional US phone companies, is expected to be announced as early as today, according to US reports. This would eclipse the \$45m merger of SBC Communications and Pacific Telesis, announced earlier this month.

According to press and wire reports, Bell Atlantic's board approved the merger on Saturday, while the Nynex board deliberated it yesterday. Neither company would comment.

However, Reuter reported sources close to the deal, speaking on condition of anonymity, as saying the companies were aiming for an announcement today.

It is expected the merger would be effected by the exchange of shares in both companies for those of the merged group. Bell Atlantic's current share price of

\$65 values it at \$38.5bn, while Nynex's price of \$63 values it at \$32.7bn. Any delay would be over the relative valuations of the companies, according to the source.

New York-based Nynex and Philadelphia-based Bell Atlantic between them cover the north-east US from Maine to Virginia. Their combined revenues last year of almost \$27bn would put them second in US telephony after AT&T, with sales in telephone services last year of \$51bn.

It is thought that Bell Atlantic chairman Mr Raymond Smith, 58, will chair the new company. Mr Ivan Seidenberg, 49, chairman of Nynex, is then expected to succeed him.

The outbreak of mergers between phone companies follows the passage in February of the telecommunications bill liberalising the US phone industry.

AT&T and other long-distance companies are expected to oppose

the mergers on competition grounds. While local phone markets are being thrown open to competition under the telecoms bill, the local companies - the so-called Baby Bells - still have effective monopolies.

Merger between neighbouring Baby Bells is aimed partly at cost savings through the elimination of central office functions. However, some Wall Street analysts are sceptical, pointing out that much the greatest part of the Baby Bells' costs lies in maintaining and servicing networks and customers locally.

However, local phone companies are also being driven to extend geographically by the threat from the long-distance companies, AT&T in particular. The long-distance companies are now free to offer local telephony as well as long-distance and wireless.

Telecoms pact, Page 24

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NEWS: INTERNATIONAL

Moscow summit agrees to pool resources in fight against smuggling of atomic materials and terrorism. Safety tops leaders' nuclear priorities

By Bruce Clark and Chryatia Freeland in Moscow

The Group of Seven leading industrial nations and Russia have pledged to give absolute priority to safety in civil nuclear power generation and to pool their efforts to combat nuclear smuggling and terrorism.

"Nuclear safety has to prevail over all other considerations," said a statement on power generation issued after the Moscow summit, which was billed by the host, President Boris Yeltsin, as an attempt "to turn the atom into a factor of co-operation, partnership and peace".

However the participants skirted round their differences over what constitutes a safe reactor design - and over how best to dispose of the huge quantities of uranium and plutonium that are being released as nuclear warheads are dismantled.

The eight leaders reaffirmed their commitment to "the highest internationally recognised safety level" for the siting, design and operation of power stations.

But their final statement avoided the question of whether the RBMK design - used in Chernobyl in Ukraine, as well as 11 reactors in Russia and two in Lithuania - is

inherently unstable, as most western experts believe.

In a concession to western pressure on Russia and Ukraine to limit the damages payable by western companies engaged in nuclear engineering, the summit communiqué called for a nuclear liability regime that would "protect industrial suppliers from unwarranted action...". The risk of incurring vast liabilities in the event of an accident has discouraged companies from undertaking ambitious nuclear safety projects in the former Soviet Union.

The eight leaders promised to "identify appropriate strategies" for the management of

fissile material that was no longer needed for defence purposes and noted that the options included long-term storage, vitrification and conversion into mixed-oxide fuel (MOX) for use in reactors.

Opinions within the G7 differ over how best to guard or absorb the bomb-grade uranium and plutonium which are piling up in Russia.

The west Europeans, led by France, broadly favour the conversion of old plutonium into MOX, while US officials fear this option will simply encourage extra plutonium production, and say the substance should as far as possible be taken out of circulation.

The US, which has launched an ambitious programme to buy up bomb-grade uranium, strongly opposes a project by a German laboratory to buy a small quantity for use in a research reactor.

On the delicate subject of nuclear smuggling, the eight leaders have agreed to work much more closely together - while acknowledging, in a sop to Russian sensitivities, that each nation must take responsibility for its own stocks.

Among the measures envisaged to combat nuclear smuggling, President Yeltsin and his guests agreed on "co-operative intelligence, customs, and law enforcement efforts to prevent

the transport and sale of diverted material". The agenda for the summit was set in part by a study headed by Professor Graham Allison of Harvard University which painted an acutely alarming picture of the conditions in which nuclear materials are stored in the former Soviet Union.

"The leakage of weapons-usable nuclear materials from the former Soviet Union is already occurring and could easily get worse in frequency and magnitude," reported Prof Allison, who said the lax security at some Russian installations was virtually an open invitation to theft by rogues states or terrorists.

Big German union rejects pay freeze

By Peter Norman in Bonn

Germany's public sector workers' trade union yesterday warned the government it would not accept a wage freeze as part of spending cuts and other measures to revive the economy that are due to be decided on this week.

Mr Herbert Mai, head of the OTV trade union, was responding to reports that the government would seek a two-year freeze for civil servants and white and blue collar public sector workers. He appeared to hint at possible strike action.

"We will find ways, available to us as a trade union, if the zero round stays on the table," he said.

In remarks to the DPA news agency, Mr Mai likened the wage freeze idea to the disastrous peace settlement imposed on Germany after the first world war. "A zero round is no offer, it is a dictate," he said.

Negotiations on the OTV's demand for a 4.5 per cent wage increase for 3.24m white and blue collar workers start on Thursday, when the parties in the Bonn coalition are due to give final approval to government plans for cutting public spending, restructuring welfare services and reducing taxation in an attempt to improve Germany's international competitiveness and create jobs.

The idea of a two-year public sector pay freeze has been pushed strongly by Mr Theo Waigel, the finance minister, in

negotiations inside the government over public spending cuts of DM50bn (\$33bn) next year. According to some estimates, a wage freeze could save the federal government about DM3bn next year. Savings by the federal states or Länder would be greater because personnel costs account for 30 per cent of their expenditure.

In an interview with Der Spiegel news magazine, Mr Kurt Biedenkopf, the prime minister of Saxony and a senior member of Chancellor Helmut Kohl's Christian Democratic Union, said he expected the government would win a two-year pay freeze.

Despite his rhetoric, Mr Mai's negotiating position has weaknesses. The German public sector employs nearly 3m civil servants in addition to the OTV's 3.24m members. Civil servants have almost total job security but they may not strike and their pay is set by parliament. If the Bundestag decided to freeze civil service pay, the OTV would come under heavy pressure to fall into line.

Moreover, recent pay settlements in the private sector, where there is less job security than in public service, have increased pressure for moderation in the public sector. Late last week, wage bargainers for 200,000 workers in the printing industry followed the example of the building industry and settled for pay increases of 1.85 per cent.



Giulio Andreotti, ex-premier now on trial over Mafia charges, votes in Rome yesterday in Italy's general election

Italian parties expect close outcome in poll

By Robert Graham in Rome

Italians went to the polls yesterday to elect their 13th post-war legislature, with the contending centre-left and rightwing alliances predicting a close result.

With the outcome expected to be determined by some 50 marginal constituencies in a complex electoral system, the final result in Italy's third general election in four years is unlikely to be known before tomorrow.

Voters were asked to choose between two broad groupings - the centre-left Olive Tree alliance headed by Mr Romano

Prodi, an economics professor, and the right-wing Freedom Alliance led by former premier Mr Silvio Berlusconi. The bulk of the marginal seats were in the north, where there was a three-cornered fight with the populist Northern League of Mr Umberto Bossi.

The Olive Tree was convinced it had won the propagation war in the final stages. Opinion polls, whose publication was forbidden during the campaign but which leaked out, indicated the centre-left could win control of the 315-seat Senate but not the 630-seat Chamber of Deputies.

But polls have never been very accurate in Italy, especially in the last two elections where almost a third of the electorate remained undecided until the end.

The uncertainty over the result is likely to produce an anxious day on the foreign exchange markets today, with investors waiting to see if either of the two alliances can obtain a clear majority.

Italy is the third biggest bond market in the world after the US and Japan. Financial analysts said any prospect of a stable government would boost the lira and investment in the Italian market.

Yesterday was the first time an Italian election had not been spread over two days with polling stations open from 7am until 10pm. A total of 48.9m people were eligible to vote in an ageing population of 57m. The high number of eligible voters included some 2.5m registered outside the country, few of whom were expected to be able to vote. Only those aged 25 and over were eligible to vote for Senate candidates.

Three-quarters of the seats were contested on a first-past-the-post system introduced in the March 1994 elections. The remainder were allocated by proportional representation. Parties united to fight the first-past-the-post seats but fielded candidates under their own banners for the proportional seats, whose rules favour the smaller groups who can win over 4 per cent of the vote nationally.

With support for the Olive Tree more concentrated in certain constituencies for the chamber of deputies, the alliance could well win a larger share of the vote but a smaller number of seats. But even if the right wing gained a majority in the chamber, the inability to control the Senate in Italy's bi-cameral parliamentary system would make it impossible to govern.

The election was caused by the inability of the year-old government of Mr Lamberto Dini, composed of non-parliamentarians, to sustain a viable majority.

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Advertisement for Boeing aircraft. It features a large image of a Boeing 747-400 aircraft. Above the aircraft, the word 'BOEING' is written in a large, stylized font. Below the aircraft, the slogan 'DIFFERENT BODIES WITH THE SAME SOUL.' is displayed. At the bottom right, the 'BOEING' logo is visible. The text describes the aircraft's features, such as quiet operation, efficiency, and comfort, and mentions that they are designed for various routes and destinations.

INTERNATIONAL NEWS DIGEST

Poll setback for Iran clerics

Iranian conservatives have lost their overall majority in parliament after a challenge by a newly formed band of reformists in bitterly fought elections that left no group in absolute control, analysts said yesterday. The conservative Combatant Clergy Association (CCA), they estimated, would have no more than 130 seats of the assembly's 270 seats - 20 fewer than at present - and the reformist Servants of Iran's Construction (SIC) 90-100 seats. The remaining seats were thought to have been divided among centrists, independents and those assigned to religious minorities.

The SIC was formed in January by senior officials and executives of state institutions in support of President Akbar Hashemi Rafsanjani's moderate policies. Parliament is a powerful and outspoken political institution in the 17-year-old Islamic republic and has slowed or blocked government proposals with which it disagrees.

The CCA has used its current majority to delay reforms proposed by Mr Rafsanjani to liberalise the oil-dominated economy and lift subsidies on food and fuel. Reuters, Tehran

Israel lifts key interest rate

The Bank of Israel raised its key lending rate by 0.5 percentage points to 14.8 per cent yesterday. Analysts said rising inflationary pressures gave the bank little choice, but some said it was too steep and others not enough.

Commercial banks reacted to the news by raising prime rate by 0.8 percentage points to 16.3 per cent. The stock market opened with losses and fell steadily throughout the day. The bank blamed the rise on relatively high increases in the consumer price index in recent months, higher inflationary expectations and rapid growth in money supply, which meant the government might fail to reach its target of cutting inflation in 1996 to between 6 and 10 per cent. The consumer price index jumped 1 per cent in March to give an annual increase of 10.8 per cent.

Some economists felt the Bank of Israel should have raised interest rates even more. "The bank clearly had no choice this month but to raise rates. But 0.5 per cent is a compromise," said Mr Jonathan Katz, senior economist at Capital Holdings consultants. General elections scheduled for May 29 as well as the tense situation generated by fighting on Israel's border with Lebanon in the past 10 days make it difficult for the central bank to tighten monetary policy further, analysts said. Reuters, Tel Aviv

Groups claim New Delhi blast

Two separatist groups claimed yesterday to have set off the powerful bomb that killed at least 17 people in New Delhi on Saturday in order to punish rivals and stop elections next month in troubled Kashmir. The blast toppled a lodging house in the crowded heart of the capital, killing eight foreigners and injuring 32 people, police said. They said three Nigerian men, two French nationals and two Britons were among the eight foreigners who died.

A joint statement from the Islamic Harkat-ul-Mujahideen and the Khalistan Liberation Force distributed to newspapers in Srinagar, summer capital of the northern state of Jammu and Kashmir, said the bomb had been triggered by remote control. "Some anti-movement activists, including some foreigners of friendly neighbouring countries of India, were holding a meeting when the bomb was exploded, killing all of them," it said.

The blast, one of the worst in the city's history, occurred a week before the start of India's general election. Voting begins on April 27 and ends on May 30 in Kashmir. Reuters, New Delhi

Nigeria deposes head of Islam

Nigeria's military government has deposed Alhaji Ibrahim Dasuki as Sultan of Sokoto for allegedly failing in his duties. Mr Dasuki is a former civil servant who became powerful in business and politics before he was installed as sultan in 1988 by former military ruler Ibrahim Babangida, a close associate.

By tradition, the sultan is officially head of Islam in Africa's most populous nation and unofficially a powerful force in Nigeria's ruling northern clique. But since General Sani Abacha became head of state in late 1993 the influence of the sultanate has declined. Mr Dasuki has fallen out of favour, while rival traditional rulers such as the Emir of Kano are in the ascendancy.

Mr Dasuki heads the Supreme Council of Islamic Affairs, but the government has backed a new Islamic organisation. The latter has handled the crisis over the ban on Nigerian hajj pilgrims by the Saudi authorities. Mohammed Maccido, whose father was the sultan before Mr Dasuki, was named as the new sultan yesterday, according to local journalists in Sokoto. Paul Adams, Lagos

سكوا من الأصل

Iran gains stronger role in Mideast peace process

By David Gardner in Beirut

The crisis in Lebanon is turning into a rare foreign policy success for Iran, winning it a seat near, if not at, the Middle East peace table. The Tehran regime's ideological influence on and financing of Hizbollah, the Shia fundamentalist militia fighting Israeli occupation of south Lebanon, has made Iran a participant in the current negotiations to get a ceasefire between Israel and Hizbollah.

As Mr Warren Christopher, US secretary of state, shuffled between Damascus and Jerusalem yesterday, attempting to gather into one channel separate mediation efforts, Mr Ali Akbar Velayati, Iran's foreign minister, was in Damascus, plunging his own regional furrow. Iran has yet to realise any concrete gains from the crisis. But senior officials in Beirut and Damascus believe that implicit in Israel's war aims and last week's US plan to end the confrontation

were a bid to destroy Tehran's influence in the Levant, by driving a wedge between Syria and Iran, and by dismantling Hizbollah. Instead, after last Thursday's killing of 108 Lebanese civilians by Israeli shells and rockets, Iran has become a factor in the peace equation, and Hizbollah's popularity has been bolstered by a wave of outrage at Israel across Lebanon. "Iran wants to force the US into direct talks," said a senior Arab official close to the negotiations.

Mr Velayati has already had talks with Mr Hervé de Charette, French foreign minister, in Damascus, but on known contact with the US. Along with Syria, the military overlord in Lebanon and ultimate controller of Hizbollah, Mr Velayati favoured France's suggested return to something like 1993's US-brokered rules of engagement between Israel and Hizbollah, under which each side undertook not to target civilians, rather than the US plan which would have put an end to

Hizbollah resistance inside occupied south Lebanon as well. "In view of the unconditional support given by Washington for the recent crimes of the Zionist regime, there is no optimism regarding the US proposal for ending the crisis," Mr Velayati said in Damascus on Saturday, hoping to add a dent to Washington's already battered image as honest broker in the region. However, by yesterday, he was more conciliatory, insisting that

Iran's intention was to contribute towards ending "the suffering of the Lebanese people". Alongside him - live on CNN - was Sheikh Hassan Nasrallah, Hizbollah's leader, who said that "if attacks on the people of Lebanon stop, we have said on more than one occasion that we will stop firing Katyushas" into northern Israel. The latter will be included in an Israeli ceasefire offer, which Mr Christopher and Mr Shimon Peres, Israel's prime minister, said they

hoped President Hafez al-Assad of Syria would endorse last night. But Iran will still be able to wield influence in discussion of the longer-term security arrangements to follow, because of its influence on Hizbollah. Neither Syria - which uses Hizbollah as a prod to Israel in its own suspended peace negotiations on Israeli withdrawal from the Golan Heights - nor Iran will accept the dismantling of Hizbollah before Israeli withdrawal from south Lebanon.

Arafat seeks to win crucial charter changes

By Julian Ozanne in Jerusalem and Alexandros Capello in Damascus

Palestinian President Yasser Arafat faces a crucial test of political support for his peace accords with Israel this week when the Palestinian National Council, the supreme Palestinian decision-making body, convenes in Gaza for the first time since 1991. Veteran Palestinian leaders, former hijackers and people who once headed Israel's most wanted list will discuss Mr Arafat's request to remove articles from the 1964 Palestinian charter calling for the destruction of the state of Israel. This is a key Israeli demand for continuing the peace process and is seen as vital to the fortunes of Mr Shimon Peres, Israel's prime minister, at May 29 polls.

The "parliament-in-exile" will be meeting for the first time on Palestinian land. It will also be the first time the peace accords are submitted to democratic discussion by representatives of Palestinians inside and outside the territories. Changing the charter would consolidate the transformation of the Palestine Liberation Organisation from a guerrilla movement and would encourage Palestinian acceptance of a two-state solution in the historical land of Palestine. But the move faces strong

opposition, particularly from those who represent the views of up to 4m Palestinian refugees and who oppose the peace accords. Opposition has been bolstered by Israel's nine-week closure of its borders with Palestinian territories which has crippled the Palestinian economy.

Damascus-based leaders such as Mr George Habash of the Popular Front for the Liberation of Palestine (PFLP) and Mr Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine (DFLP) have refused to end their exile to attend the meeting. They have also raised the prospect that their members on the PNC might boycott the meeting. Mr Farouk Kaddoumi, one of the most senior members of Mr Arafat's Fatah faction of the PLO, will also not attend.

Although Mr Arafat will probably be able to gather enough support to push the changes through, such a boycott will deny legitimacy to what officials view as the PNC's most crucial meeting in PLO history. It would also expose the deep political divisions in Palestinian society over the peace process and the rift between leaders inside and outside Palestinian territories. The "rejectionists" oppose the peace process, believing it cannot deliver Palestinians' minimum political aspirations, which include an independent state with Jerusalem as its cap-



Palestinians burn an Israeli flag yesterday during a protest in Gaza City against the massacre in Lebanon

ital and the right of refugees to return.

When these sensitive issues are tackled in "final status" negotiations, due to begin in May and last three years, they believe Mr Arafat will be forced into big concessions to Israel which will lead to widespread disaffection. But opposition boycott tactics may backfire. Mr Habash and Mr Hawatmeh have seen their support inside the West Bank and Gaza Strip crumble since the Israeli-Palestinian peace agreement was signed in 1993. Although both remain respected, the public mood is overwhelmingly behind the peace process and the opposi-

tion has failed to come up with a convincing alternative.

The PLO rejectionists have often appeared hopelessly marginalised, increasingly unable to stamp their mark on the emerging political reality inside the Palestinian territories and unwilling to follow the Hamas Islamic Resistance Movement in continuing armed struggle. Many supporters of the DFLP and PFLP inside the West Bank and Gaza Strip openly disagree with the boycott policy and have been actively considering breaking with the Damascus leadership and participating in the new institutions being created.

No more long-term short-term solutions, says Lebanon's PM

Mr Rafiq Hariri, Lebanon's embattled prime minister, wants more on negotiations to end the latest Middle East crisis than a halt to Israel's 11-day bombardment of his country. He wants Israel out of Lebanon altogether.

The country, struggling to rebuild its economy and its cohesion after the devastating civil warfare involving its 17 minority communities between 1975 and 1990, could no longer live with short-term and illusory solutions which keep turning the country into the region's battleground, Mr Hariri said in an interview at his Beirut home.

"This method of partial solution is wrong. Why don't we try to solve the problem?" he asked. "We end up having to live with these short-term solutions for 18 years." It is 18 years since Israel's first incursion into Lebanon in 1978. That was followed by a full invasion and the destruction of much of Moslem West Beirut in 1982, and Israel's subsequent creation of its "security zone" in southern Lebanon, occupying 12 per cent of the country's territory.

The 1982 invasion and Israel's pull-back by 1985 under heavy attrition from Shia Moslem militias led directly to the emergence of Hizbollah, the Shia fundamentalist force fighting the Israeli occupation. Israel says its 1993 air blitz of south Lebanon and the current "Grapes of Wrath" operation are intended to smash Hizbollah. It follows, in Mr Hariri's analysis, that "the problem" is,

first of all, the occupation, and only then the resistance to it. "If they are looking for security, it's right there," he said, in reference to the 1978 UN Security Council Resolution 425 requiring Israel to withdraw from Lebanon. Of Mr Shimon Peres, Israel's prime minister, whom he has never met, he said: "He is in my country, and he is saying that he is defending himself. "Enough is enough. Israel

Rafiq Hariri tells David Gardner that Israel's occupation of Lebanon is the primary problem

has to accept that it cannot keep launching air raids, destroying the country again and again as it has done for 18 years. The Israelis cannot be talking about peace and making war at the same time. They have to change their methods." Israel "made a big mistake invading Lebanon" in 1982 and intervening in the country's tribal wars, he said. "They got used to playing the Lebanese game and got sucked into the quicksand," leaving south Lebanon as Israel's only active war front after five years of peace deals with its Arab neighbours. Mr Peres, he insisted repeatedly, was also making a "mistake" with the current assault. What Mr Hariri clearly senses is the opportunity to push the issue of Israel's occupation of south Lebanon up the

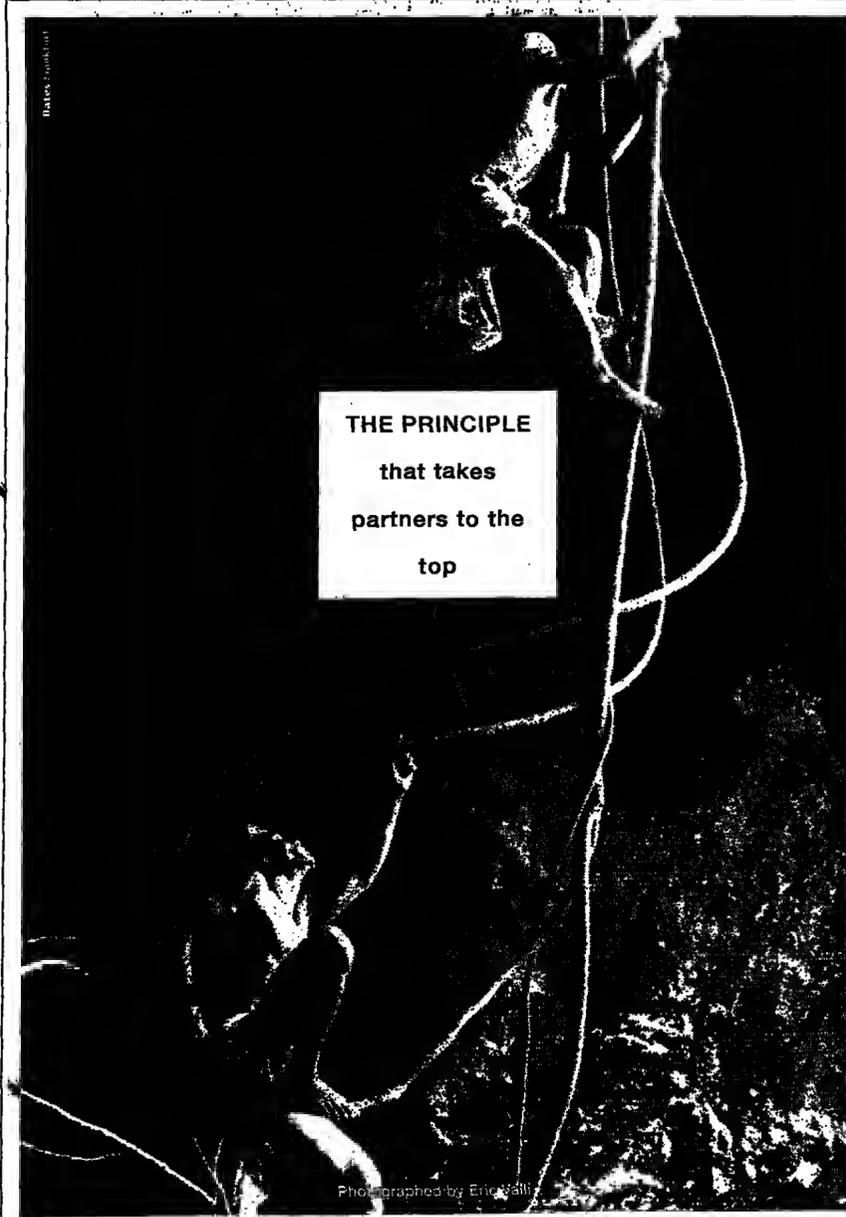
Middle East peace agenda. By shelling the UN refugee shelter in Qana last Thursday, killing 101 people, mostly women and children, "Israel committed a crime" and cannot be allowed "to get away with it," he said. A US-Israeli plan linking a ceasefire to an end to Hizbollah action against Israeli occupation appears to be giving way to a French-initiated plan to tighten up the 1993 US-brokered rules of engagement

between Israel and Hizbollah, where both sides agree to refrain from targeting civilians. The circumstances are thus propitious for Lebanon's prime minister to highlight the Israeli occupation as the root cause of the conflict. Neither Lebanon, nor Hizbollah, the country's only civil war militia which has not been disarmed, is its own master. The civil war not only left Israel in possession of the south, but also left 35,000 Syrian troops controlling security in the rest of the country. Damascus arbitrates in Lebanon. Hizbollah operates with Syrian backing, and with financing and inspiration from Iran.

For both countries the militia is a means of keeping up pressure on Israel, and by extension, the US. Under these circumstances, the proposition that an end to occupation will end resistance may be too simple, particularly for Israel. Whether or not Mr Hariri can keep the Israeli occupation at the forefront of negotiations, he is articulating forcefully the one issue which unites all Lebanese, irrespective of sect, clan or religion - and this week as never before. The billionaire construction tycoon has grown in stature in the past 10 days, using his wide range of international contacts artfully. He was scarcely known in Lebanon until he helped negotiate an end to the civil war, and then, as prime minister, came to embody the country's attempts to reconstruct. Before this crisis, Mr Hariri believed the occupation, the resistance, and indeed the task of national reconciliation after the civil war, were beyond Lebanon's resolution, and concentrated on physical reconstruction. The notion that you could have the latter without the former was already unravelling before Israel's bombs started hitting Shia villages and infrastructure which had just been replaced. However the negotiations turn out, Mr Hariri's challenge will be to solidify the country's cohesion, inspired by opposition to Israel, so that it underpins the reconstruction effort. How far has that effort been set back? "I can't tell you now," he said. "But the final answer will depend on the result of this negotiation."

Big German union rejects pay freeze

Poll setback for Iran elect



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DG BANK

Attempt to calm investment rule fears

By William Dawkins

The world's four top trading powers yesterday agreed that the World Trade Organisation should discuss setting international rules on the treatment of foreign investment.

The decision, at the Quad trade meeting in Kobe yesterday, is intended to assuage concerns of developing countries, which fear that an international investment accord being negotiated by richer countries in the 26-nation Organisation for Economic Co-operation and Development will be imposed on them.

The trade ministers agreed to set up an informal working group, including developing nations, to study possible WTO rules on the fair treatment of foreign investors, with a view to establishing a formal group at the next WTO ministerial meeting in Singapore in December.

Officials said the group was not intended to supplant the OECD negotiations, but merely to ensure that developing countries' concerns were heard.

The Singapore meeting will also debate labour standards. Controversy broke out over this yesterday, when the US voiced concern that countries with low labour standards were attracting more than their fair share of investment. However, the EU maintained that labour standards should be dealt with in the International Labour Organisation as a human rights problem, rather than as a trade issue.

Quad members also agreed that the Singapore meeting should debate the possibility of setting global rules for fair competition, an increasingly important part of international trade relations. Diplomats said the aim would not be to set up a world competition authority but to seek agreement on common rules, backed by a dispute mechanism.

Brittan's insistence on access to Japan's chip market rebuffed at Quad trade talks

EU and US clash over global IT pact

By William Dawkins in Kobe

The European Union has clashed with the US by warning it will support an ambitious plan to dismantle world trade barriers in information technology products only if it gets agreement on fair access to Japan's semiconductor market first.

The ultimatum, delivered to a weekend meeting of trade ministers of the big four Quad trading powers - the US, the EU, Japan and Canada - by Sir Leon Brittan, Europe's trade commissioner, met a clear rebuff from Ms Charlene Barshefsky, the acting US trade representative.

She reiterated that Washington was seeking renewal of a five-year-old bilateral semiconductor accord with Japan, due to expire on July 31, which reserves 30 per cent of Japan's chip market for foreign suppliers. The EU has complained that the pact discriminates

against European suppliers. Brussels also wants to extend the proposed global information technology agreement (ITA) to other sectors, such as pharmaceuticals, so that Europe would not be unfairly disadvantaged by dropping its high tariffs on electronic components.

But Ms Barshefsky argued that the ITA, originally a EU-US initiative, must stand or fall on its own merit. She strongly resisted any attempt to link moves to cut trade barriers in semiconductors and information technology, and pointed out that the ITA had strong support from information technology companies in all four Quad nations. She accused the EU of exporting an end to the bilateral chip pact at one moment and seeking to be included in the next.

The EU was only prepared to remove import duties on electronic components "provided that access to the market for



Charlene Barshefsky (right) greets (from right) Shumpei Tsukahara of Japan, Art Eggleton of Canada and Sir Leon Brittan

semiconductors is addressed and especially access to the Japanese market", Sir Leon said. The EU had to be involved in a new semiconductor accord, whether it was governmental or - as Brussels would prefer - between industries. Access to Japan's semiconductor market had to be "substantial, effective and non-discriminatory", he said. A senior EU official

explained: "You can hardly expect us to lower our tariffs without being satisfied that we have effective and non-discriminatory access to the Japanese market." Japanese officials did not rule out the EU's request for participation in a semiconductor agreement.

Quad members agreed to push ahead with negotiations on an ITA despite the EU-US dispute. However, the US came

under fresh pressure over the weekend to compromise on its insistence on a renewed bilateral intergovernmental semiconductor pact.

Mr Shumpei Tsukahara, Japan's minister of international trade and industry, declined a US request for government talks on the grounds that he would prefer first to see the outcome of industry-to-industry talks, one for comple-

tion in June, just a month before expiry of the pact.

Tokyo wants to let the semiconductor deal expire on the grounds that the pact has exceeded its task, bringing the actual foreign share of the Japanese chip market to 30 per cent, and that Japan dislikes being asked to set official import targets, against the spirit of WTO free trade rules. Observer, Page 23

Beijing 'steps up fight' against pirate CD makers

By Tony Walker in Beijing

China says it has intensified its fight against widespread counterfeiting of information and entertainment products and has closed seven pirate compact disc producers recently.

Beijing's claim that it is moving against intellectual property rights violators is an apparent attempt to forestall threatened US sanctions against more than \$1bn of Chinese imports.

Mr Duang Ruichan, a senior official in the State Council, or cabinet, told the official China Daily Business Weekly

newspaper that China was implementing laws to stamp out violations of patents, trademarks and copyrights. He did not provide details of the

Attempt to forestall US sanctions against more than \$1bn imports

targeted pirate CD factories. Ms Charlene Barshefsky, acting US trade representative, told Chinese officials in Beijing this month that US patience was wearing thin on China's indifferent record in implementing a 12-month old agree-

ment to curb abuses of intellectual property rights (IPR).

She is understood to have outlined steps which needed to be taken to persuade the US

imposing punitive tariffs on Chinese imports more or less equivalent to losses suffered by US producers of pirated information and entertainment products.

US officials say some 34 pirate CD factories have been operating in China, with production capacity of 90m discs a year. Much of this capacity was devoted to exports, with Hong Kong a major distribution point.

"China's enforcement authorities have yet to target major manufacturers and distributors of pirate products... and China has not yet

opened its markets to our creative industries," said a senior US official in February.

Mr Duang, director general of the State Council's intellectual property executive conference, said China had sent official supervisors into "every CD production line" to prevent piracy. It had also cracked down on karaoke bars which were major consumers of pirate products.

"It's safe to say that few other countries have expended so much energy on dealing with the IPR problem as China," said Mr Duang. "Ignorance of such

efforts is just unreasonable."

US officials say China has not done nearly enough to live up to undertakings made in February 1995 to both curb IPR abuses and to improve market access for education and entertainment products.

"They have made it clear heightened Chinese efforts to stamp out piracy will be an important consideration when the administration decides whether to renew China's Most Favoured Nation trading status in the US. A decision on MFN, which accords China preferential tariffs, is due by June 4.

Most stingy was the fact that the motion against these accounts, seen by critics as favouring the rich, was proposed by his friend and fellow Republican from Kansas, Senator Nancy Kassebaum.

Mr Dole was also forced to pull from the Senate floor another high-priority item, the immigration bill, so as to avoid a vote on increasing the federal minimum wage, a Democratic cause. But by the end of the week, Republicans, alive to their own re-election prospects, were jumping on the minimum wage hand-wringing that some increase might be inevitable.

Comparable problems loom all across the legislative agenda, as Mr Dole tries to balance conservative demands and the needs of a more centrist campaign. Even agreeing on a budget for the current fiscal year, now over half over, remains fraught with difficulty. Yet another temporary funding resolution may be needed this week when the current one expires so as to avoid another partial closure of the government.

Vice-President Al Gore warned that Mr Clinton stood ready to veto a budget bill if Republicans insisted on adding conditions weakening the enforcement of environmental regulations. It was an easy threat, since public opinion, as well as many moderate Republicans, see reasonable protection of the environment as a potent electoral issue for Democrats and Mr Clinton.

An overall seven-year balanced budget agreement is also theoretically still on the table, as are some of its component parts, reforms of the major social safety net programmes. The problematic calculation for Mr Dole is whether he is better off with no agreements, blaming Mr Clinton for the failure but running the risk of being blamed himself, or with them, which means he would have to share credit with a president whom he is seeking to replace.

Capitalising on Mr Dole's dilemmas, some Democrats, such as Senator Jay Rockefeller of West Virginia, have mischievously proposed that he stand down as majority leader to concentrate on running for president.

All is far from lost for Mr Dole. The consensus view is that his deficit in the polls must narrow as November approaches. But Capitol Hill, his milieu, is proving a steeper slope to climb than he might have imagined.

Jurek Martin

UK sees progress in talks with China on HK

By Peter Montagnon, Asia Editor

Britain and China made "important progress" on securing the future of Hong Kong's civil service in talks over the weekend but failed to reconcile their differences over China's plans to abolish the territory's Legislative Council.

The two countries agreed that all Hong Kong civil servants should stay on after Hong Kong reverts to China next year, Mr Malcolm Rifkind, UK foreign secretary, said after a two-hour meeting with his Chinese counterpart in Holland.

The agreement appears finally to lay to rest fears that civil servants might be required to submit to loyalty tests after the handover.

Such fears have prompted a serious siphoning of confidence in Hong Kong in recent weeks, but Mr Rifkind said Mr Qian Qichen, China's foreign minister, made no suggestion that any such tests would be required.

The crucial point was that both countries were committed to a politically impartial civil service, he said.

It should be loyal and dedi-

cated to the Hong Kong government up to the handover and to the government to be installed by China thereafter.

Agreement by China to recognise the sole authority of Governor Chris Patten, the Legislative Council and the UK Privy Council until the handover should provide further reassurance, Mr Rifkind said.

Hong Kong legislators have expressed fears that China's transitional institutions might seek to assume the role of a parallel government ahead of the handover.

But there remains deep anxiety among Hong Kong legisla-

tors about China's plan to scrap the Legislative Council - elected last year under Mr Patten's democratic reforms - as soon as it takes over.

China has said it will install a provisional LegCo with a mandate to run for up to a year, while it revises Mr Patten's reforms, a move which many, including Hong Kong's bar council, regard as seriously questionable on constitutional grounds.

For its part, China maintains Mr Patten's reforms were themselves unconstitutional.

"This attitude is going to cause great trouble for all of

us: China, Britain and Hong Kong," Ms Christina Loh, a pro-democracy Legislative Council member, said in London, where she is lobbying politicians ahead of a House of Lords debate on Hong Kong this week.

Protests at the abolition of LegCo could mar the handover celebrations and force China to impose restrictions on foreign press reporting as soon as it has taken over, she said.

The abolition of LegCo was "neither acceptable nor necessary," Mr Rifkind said after Saturday's talks.

Qian Qichen: No suggestion of requiring tests of loyalty



Qian Qichen: No suggestion of requiring tests of loyalty

Government tries to halt declining confidence in future of UBL

Pakistan replaces bank's board

By Farhan Bokhari in Islamabad

Pakistan's central bank, the State Bank of Pakistan, has replaced the entire board of United Bank (UBL), the second largest public sector bank.

The move is widely seen as an attempt to halt declining confidence in the future of the bank, which was sold last month to Saudi Arabia's Bishrah group.

The transfer of management to UBL's new buyers, however, has been delayed, after some of its depositors got a court order blocking the sale on the grounds that depositors' interests were not given consider-

ation when the government decided to sell the bank.

Mr Muhammad Yaqub, Pakistan's central bank governor, told a news conference on Saturday at the bank's headquarters in Karachi: "The new management has been directed to initiate steps to ensure prudence in lending... and to reduce administrative costs of the bank."

Mr Yaqub also said the change of management would neither impede nor speed up the privatisation process. However, independent bankers said the action was probably taken to ensure that the delay in privatisation, due to the court order, did not further harm

UBL's financial position. The bank has more than 1,600 branches, mainly located in Pakistan.

UBL's profits have been badly battered by widespread inefficiency and growing burdens caused by huge debts that have gone bad. Last year its pre-tax profits dropped to only Rs23,000 against Rs59m in 1995, a year before and Rs77m in 1993. In 1995 up to 48 per cent of UBL's expenditure went on staff.

The bank's troubles have also mounted due to some Rs25bn in bad debts. These include loans in the form of political patronage since banks were nationalised in Pakistan

in the early 1970s. Since then, many borrowers have paid neither the principal nor the interest.

Mr Nasir Bukhari, a leading Karachi stockbroker whose company deals in a large number of bank shares, said yesterday: "The bad debt problem of the UBL should first be resolved by the government, using the authority of the state, and then the bank should be offered for sale."

Many other analysts are convinced that UBL will emerge as an important test case in assessing the government's ability to restructure an important financial institution.

Islamabad to seek up to \$2.7bn aid

By Farhan Bokhari

Pakistan is likely to seek up to \$2.7bn in new external aid at the two-day annual Aid to Pakistan consortium meeting starting in Paris today.

The government is keen to see new promises from donors as an expression of confidence in the country's economic reforms, in addition to obtaining commitments ahead of the country's 1996-97 budget.

Pakistan is expected to emphasise what it sees as a number of recent stabilising factors in the economy. According to government estimates, annual economic growth is expected to be more than 6 per cent in the year ending in June, up from around 4.7 per cent the previous year, and the budget deficit below 5 per cent of gross domestic product, down from around 5 per cent a year ago.

The upward growth trend is largely due to the better-than-expected cotton crop this year, which recovered from a three-year crop loss caused by widespread pest attacks.

Pakistan hopes to earn an additional \$700m from new cotton exports.

Cotton is vital for the Pakistani economy because almost 60 per cent of export income comes from cotton products.

Some officials also expect a recovery in textiles due to cheaper raw cotton prices. This would help the sector to recover from losses caused by escalating raw material costs in the past couple of years.

"All the signs are that we'll be maintaining more than 6 per cent growth and the leading sector is going to be agriculture"

Mr VA Jafarey, the prime minister's adviser on finance and economic affairs, says: "All the signs are that we'll be maintaining more than 6 per cent growth rate and the leading sector is going to be agriculture."

However, Pakistan is still faced with a number of problems. Many of its donors

are concerned at the government's increasing borrowings from the domestic banks to support expenditure. The government has so far borrowed more than Rs60bn (\$1.7bn), up from a target of Rs25bn for the entire fiscal year.

There are also growing worries about a widening trade gap because of a significant increase in imports during the first nine months of the current fiscal year.

According to estimates released last week by the federal bureau of statistics, a government agency, the trade gap widened to \$2.69bn in the nine months, up from \$1.63bn for the same period last year.

Mr Hafeez Pasha, a former commerce minister said: "The important issues that will come up [at the consortium] will be issues like bank borrowings and Pakistan's international trade position."

Many western economists concede that they are concerned over the growing trade deficit, despite a 10 per cent devaluation of the Pakistani rupee in October last year.

However, government officials insist that the results of the devaluation should start appearing in the next few months, as there was bound to be a time lag between that measure and growing export income.

Dole pays price of battle on two fronts



US ELECTIONS November 5

Senator Bob Dole always knew he would have a problem after sewing up the Republican presidential nomination so early in the election year.

It was how best to keep his campaign for the White House alive and kicking during the long months before the party conventions in August.

His answer was logical enough - and forced by the reality that he had virtually exhausted his allotted \$37m in primary campaign funds while President Bill Clinton, his November opponent, still has \$16m to spend over the summer.

So he decided to use his perch as Senate majority leader to wage legislative battle against Mr Clinton focusing on those issues most likely to interest the electorate in the campaign proper. This is a 20th century first - no majority leader has previously taken on an incumbent president.

But the first week of the new session on Capitol Hill has merely demonstrated how difficult it is simultaneously to try to run an unruly Congress and a national campaign. That was merely underlined in last Friday's Los Angeles Times national poll, which gave Mr Clinton a hefty 55-37 point lead and showed growing disaffection with the Republican majority in the legislature.

In that week Mr Dole suffered defeat and embarrassment by turns. He saw his own amendment to a healthcare insurance bill vote down in the Senate. He said he would press the cause - the creation of medical savings accounts - in the next step of joint conference committee, but that may come only at the cost of sacrificing a bill that enjoys broad bipartisan support.

Most stingy was the fact that the motion against these accounts, seen by critics as favouring the rich, was proposed by his friend and fellow Republican from Kansas, Senator Nancy Kassebaum.

Mr Dole was also forced to pull from the Senate floor another high-priority item, the immigration bill, so as to avoid a vote on increasing the federal minimum wage, a Democratic cause. But by the end of the week, Republicans, alive to their own re-election prospects, were jumping on the minimum wage hand-wringing that some increase might be inevitable.

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Jurek Martin

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Finance ministers to scrutinise policies on exchange rates and other key issues

IMF checks out nations' progress

Drive to set statistics standard wins converts

Issues as diverse as Indonesian fiscal policy, Britain's inflation target and French labour market reform may all crop up at the International Monetary Fund's key policy-making committee in Washington today, as it scrutinises the economic policies of member governments.

The Fund was urged to keep a closer eye on national economic policies after Mexico's financial crisis in 1995. As part of this effort, the IMF's "interim" committee of finance ministers and central bank governors will try to draw general lessons from the confidential "artificial four" consultations which Fund staff have carried out with governments over the past year.

According to a document written by Fund staff in preparation for today's meeting, the surveillance discussions will centre on four key topics:

- Exchange rate misalignments in the industrial countries.
- Labour market policies in the industrial countries.
- Inflation and money supply targets in the industrial countries.
- The mix of policies adopted by fast-growing developing economies.

On industrial country exchange rates, the document notes that "both the staff and the board have been more forthcoming in identifying possible misalignments among major currencies and in

expressing concern about turbulence in the adjustment process." This was true when the Fund assessed the overvaluation of the yen and D-Mark against the US dollar early last year.

In discussions with Japan, for example, Fund staff argued that the real effective exchange rate for the yen was 25 per cent overvalued relative to trend early in 1995. But subsequently the yen has devalued to a point "that no longer seems misaligned," the Fund argues.

In Europe, meanwhile, the undervaluation of the Italian lira was "evident a year ago and [is] still apparent at present despite considerable appreciation in the second half of 1995".

Fund staff have told Italy that further efforts to cut government borrowing would probably boost the currency. The Fund and the British authorities meanwhile agreed last November that the pound's depreciation early last year was not justified by economic fundamentals. The IMF board agreed subsequently that sterling was undervalued and that ideally it should rise back to its levels of early 1995.

"Directors supported the staff's view that if economic activity strengthened as expected [in the UK], a bias towards further tightening of monetary policy would be appropriate. However, since the board discussion the authorities have

reformed monetary policy in several steps, against a backdrop of below-trend growth, weakening export markets, and a moderation in input price inflation," the document notes.

In discussion of labour market policies, the UK and New Zealand were praised for eased monetary policy in several steps, against a backdrop of below-trend growth, weakening export markets, and a moderation in input price inflation," the document notes.

It suggested similar measures in France. On monetary policy, the Fund said inflation targets were appropriate in some countries and money supply targets in others. But whatever the framework, inflation had generally remained low because activity was below potential.

Fund staff questioned the use of "consumer confidence" targets, such as Australia's objective of achieving price stability on average over the business cycle or, as in the UK, announcements of a range of likely outcomes in addition to an objective. These countries were also urged to adopt greater central bank independence.

The IMF has also welcomed increased transparency of monetary policy in many countries through the issue of official reports or minutes of monetary policy meetings. "However, transparency alone is not sufficient as demonstrated by the UK where, despite a higher degree of transparency relative to other countries, inflation expectations remain above the medium-term target".

Reports by Robert Chote, Economics Editor, in Washington

reforms which have reduced structural unemployment. But in Germany, "the Fund expressed concern about the lack of progress in tackling structural unemployment, and was disappointed that government proposals to limit the duration of unemployment assistance had not been approved".

The Fund argued that the minimum wage should be cut in certain areas, that assistance should be better targeted and that labour taxes and social benefits should be reduced.

growing economies. But "there was not always agreement between the staff and authorities about the extent to which, or even whether, an economy was overheating," the Fund reports.

"For most such countries, the Fund recommended an early tightening of financial policies... to avoid the possible need for more disruptive policy actions at a later stage," the report says.

"While accepting the view that fiscal policy had a role to play, member authorities were often not convinced of the need to tighten further." In Indonesia, for example, the Fund remains concerned that the budget is not tight enough to reduce demand pressures.

Recognising the tension between the need to raise interest rates to restrain activity and the danger of encouraging speculative capital inflows in these countries, the Fund has typically advised tighter fiscal policy and allowing the exchange rate to rise. But some countries have introduced or extended capital controls, "notwithstanding the Fund's advice to refrain from such measures except as a last resort and temporary response".

Wolfensohn's task, Page 23

About 25 countries have indicated that they wish to subscribe to the International Monetary Fund's special quality standard for economic statistics, set up to help prevent financial crises such as that which afflicted Mexico in late 1994 and early 1995.

The initiative sets standards for the coverage, frequency and timeliness with which 17 categories of economic data are reported.

Countries aspiring to the standard are also required to pre-announce release dates, to describe the methodology of calculation, to provide full public access to the data and to make it clear when government ministers see the numbers in advance.

Mr Jack Boorman, the IMF's policy development and review director, said at the weekend that he hoped the standards would help both governments and the financial markets to identify economic strains before they had chance to develop into full-scale crises.

Countries meeting the standards will be identified on an electronic bulletin board. This will open on August 31, followed by a 26-month transition period during which countries can subscribe to the standard

even if they are not able to meet it fully.

Ms Carol Carson, the IMF's deputy director of statistics, said that not one country yet met all the requirements.

Officials and financial market participants welcome the scheme, but foresee problems when countries fall short of the standard.

"To serve the purposes for which the standard is designed, it will be necessary to signal if a subscribing member is no longer fulfilling the expectation that it is observing the standard," the Fund says. This will be done by removing the country's entry from the bulletin board.

However, Mr Boorman conceded that removing a country - or even the rumour of its removal - could help trigger the sort of crisis which the scheme was intended to guard against.

Removing a country will also be a lengthy and complicated process, even though the Fund promises to act in "a timely fashion".

An underperforming country will first discuss its problems with Fund staff and the executive director who represents it on the IMF board. In the event of "severe and persistent non-

observance", the board would probably consult a panel of independent statistical experts while giving the country an opportunity to argue its case before deciding whether to remove it.

"The way we have thought this through, we would hope we would never get to a situation where we would have to think about the 'atom bomb' approach," Ms Carson said.

But Mr John Lipsky, chief economist at Salomon Brothers in New York, said this would pose problems: "Inevitably the Fund would get drawn into the question of whether it was vouching for this data or not. If the only option is the 'atom bomb' option to remove, what responsibility will the Fund bear in the meantime for the data?"

The IMF's hope is to provide information from which financial market participants can draw their own conclusions. Failures to produce particular pieces of data on time will not be flagged specifically on the bulletin board, for example, but left for market participants to infer.

"But I don't think in practice that this will exempt the Fund from some sort of implicit vetting issue," Mr Lipsky warned.

Maystadt seeks cap on gold reserve sales



Maystadt: proposing alteration to articles of agreement

Mr Philippe Maystadt, the Belgian finance minister, will today propose the possibility of altering the International Monetary Fund's articles of agreement to place a strict limit on the amount of the organisation's gold reserves it can sell.

Mr Maystadt believes this may provide a way to reassure countries such as Germany that selling and investing a limited part of the Fund's \$40bn gold stock to finance an extension of its soft-loan facility for poor countries would not establish a precedent for gold sales for other purposes.

Mr Theo Waigel, the German finance minister, reiterated his opposition to gold sales yesterday, arguing that it would "send the wrong signals". Germany and some other countries argue that gold sales and participation in debt relief schemes would undermine the Fund's integrity.

Amending the articles to limit gold sales would require parliamentary approval in many of the Fund's 181 member countries. But Mr Maystadt believes it should form part of a package with a variety of other measures that will have to be submitted to the parliaments anyway. This package would include an increase in the Fund's share capital, an increase in the basic voting rights allocated to all member countries and a targeted allocation of "special drawing rights" which allow national authorities to borrow foreign exchange reserves.

Mr Maystadt will make his proposal at today's meeting of the Fund's key "interim" committee of finance ministers and central bank governors, which he chairs. But the package would not be put in place until next year at the earliest.

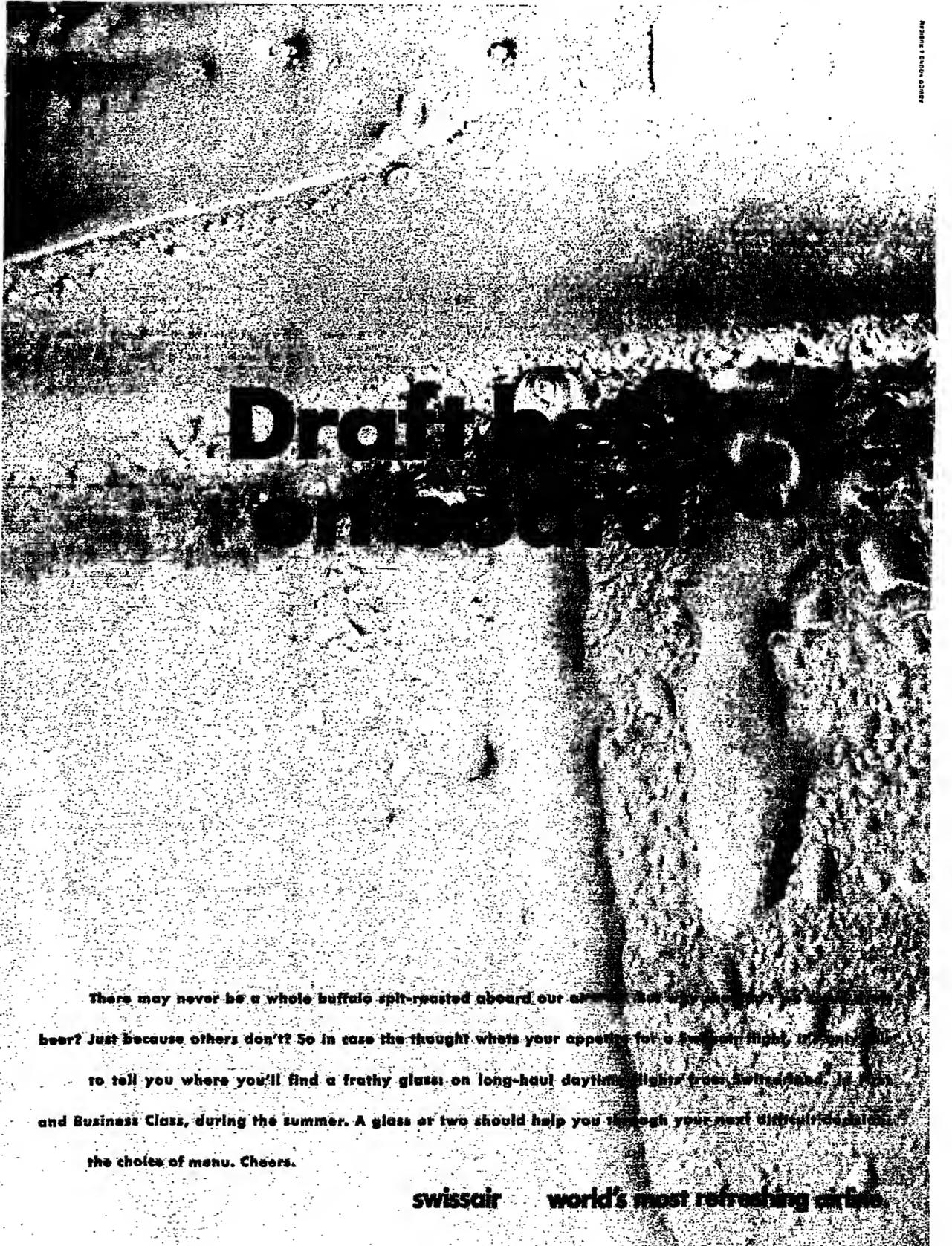
Mr Michel Camdessus, the IMF's managing director, will raise the issue of gold sales at the meeting as part of a scheme to put the Fund's so-called "subsidised structural adjustment facility" (ESAF) on a permanent footing. The ESAF allows countries which had a national income below \$365 a head in 1994 to borrow money at a heavily subsidised interest rate of 0.5 per cent, with repayment only required after five to 10 years.

ESAF will become self-sustaining in 2006 as repayment of old loans provides fresh resources, but extra money will be needed to keep the scheme running over the preceding five years. Mr Camdessus will argue that the Fund can borrow, or provide from its own resources, around \$1.5bn a year over that period to be lent to ESAF-eligible countries, but that a further \$3bn or so will be needed during the five years to pay for the subsidy element of the loans.

Mr Camdessus will propose that half the money needed for the subsidy be raised by selling 5 per cent of the Fund's gold reserves, investing the proceeds and using the income. The remaining money would have to come from individual member governments.

Countries such as the US and UK are expected to argue that it is unrealistic to expect further bilateral donations to perpetuate ESAF, and that the Fund should come up with the money itself. Officials expect the UK, for example, to propose selling 5 to 10 per cent of the Fund gold and to use some of the money already being put in reserve for the period when ESAF becomes self-sustaining to help pay the subsidy in the intermediate years.

Mr Camdessus may also propose that the Fund could help pay for bilateral contributions indirectly, by refunding money that has already been put in a special IMF account to cover bad loans to countries that had just paid off their arrears.



Draft menu

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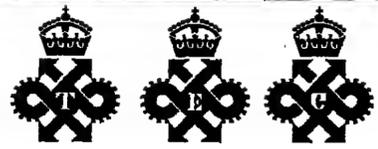
Dole pays price of battle on two fronts

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The Queen's Awards

FOR EXPORT, TECHNOLOGY and THE ENVIRONMENT 1996



Good reasons for celebration

Export success is one of the more optimistic sides to the UK's recent economic performance, says Michael Cassell

In the export game, anything goes. It might be shipping live baby eels to China or selling trendy baby clothes to Russia but the search by British companies of all types for new world markets has never been more necessary or more competitive.

Today, some of the companies which in the last year have succeeded in making overseas sales a strategic priority are rewarded with the granting of a Queen's Award for Export Achievement. They are joined by a small number of businesses winning accolades for technological or environmental achievement.

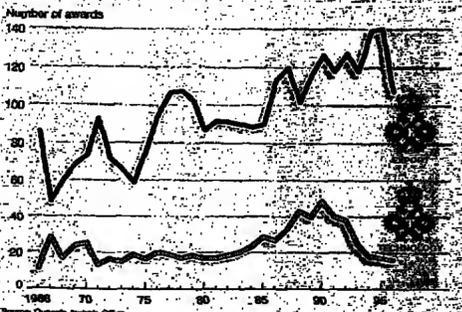
But exporters dominate the 1996 roll call. They inevitably include some of the country's most experienced exporters, used to selling products and services traditionally at the core of Britain's overseas sales effort.

But alongside the engineering companies, the steel products specialists and construction equipment manufacturers is a newly-emerging breed of exporters modest in scale but with global ambitions.

There are companies selling cat flaps, ceramic capacitors, body armour and bakery products. Included among them are businesses such as Biotrace, the Bridgend-based biotechnology company which epitomises the new generation of young, fast-evolving businesses exploiting highly specialist skills in world markets.

Biotrace, founded in 1988 and floated on the London Stock

Export and technology awards

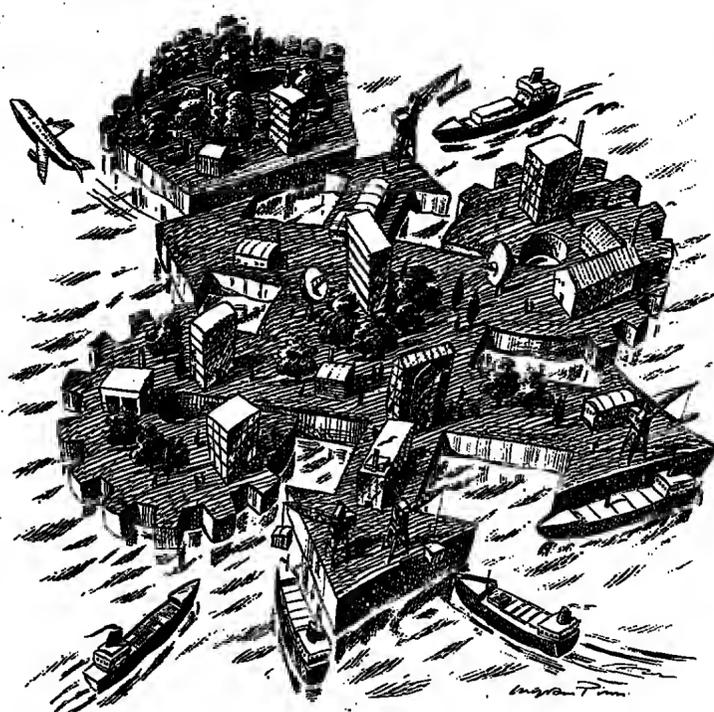


Regional breakdown of export awards



Exchange five years later, harnesses the enzyme which causes fireflies to glow in order to produce portable food and drink hygiene testing systems. The company only employs 80 people but is selling throughout Europe, the Baltic States, Russia and North America. Along with the other award winners, the company is judged to have made an outstanding contribution to the "export-led recovery" much trumpeted by the present government. Britain's success in overseas markets has represented one of the more optimistic elements of its recent economic performance.

Improving competitiveness and growth in world trade helped the volume of UK non-oil exports in 1995 rise by 7.7 per cent over the previous 12 months. The value of non-oil exports rose from £126bn in 1994 to £144bn. Imports, however, rose from £141bn to £160bn. The World Trade Organisation



forecasts another year of robust trade growth in 1996, although the outlook is less certain within the markets of the European Union, the most important destination for UK products. In recent weeks, fresh evidence has emerged of an economic slowdown in Europe, with trade between the UK and the continent falling steadily. Sluggish economic growth in the UK has helped stem the flow of imports from other EU countries. Even so, the overall UK trade deficit remains stubbornly in place; the deficit on UK visible trade in January alone was an estimated £14bn. Only the efforts of individual companies can combine to over-

come such traditional economic weaknesses. Given their daily struggle to win customers, many of them might feel fully justified in regarding award schemes as a largely irrelevant diversion. Even so, 41,000 enterprises have put their names forward since the Queen's Awards began in 1966 and nearly 3,800 have won. For them, the right to use the widely-recognised Queen's Award logo - not forgetting the accompanying invitation to a reception at Buckingham Palace - is one they consider well worth pursuing. Peter Wood, a director of Glass Eels, the Gloucester business selling millions of baby eels to destinations which include China and one

of this year's smallest export award winning companies, echoes the views of many of this year's 1,200 entrants: "It helps our employees recognise that we are being successful and I think it will also help to impress our customers." This year, 107 export award winners - the lowest total since 1968 - will be able to put the theory to the test. Those companies which have won in the past - this year's export list includes 19 previous winners - admit that it is impossible to quantify the commercial benefit of picking up an award and there is always the potential for disappointment if one year's success is not repeated. One inevitable spin-off from the steady rise in inward investment in

the manufacturing sector is the growth in foreign-owned companies now exporting out of the UK. This year, 24 of the export awards go to companies with overseas parents, ranging from two communication systems subsidiaries of Motorola of the US to New Holland UK, the tractor manufacturer owned by Fiat of Italy.

Not all the overseas-owned manufacturers using the UK as a manufacturing base to supply other markets have such extensive operations.

An example is Pamaroo Europe, a Cheshire-based business acquired in 1992 by US interests and which has won an export award at its first attempt.

The company, which employs the latest high-technology to engrave printing rollers and plates for use in the print industries, employs only 31 people and has an annual turnover of £3m. Terry Ford, vice-president, operations, Europe, says exports have almost trebled in the past three years, leaving half the company's sales accounted for by overseas orders.

Export awards are not confined to manufacturers. Invisible earnings, a critical element in the UK's world trading performance, worth about £20m a year, are also recognised in this year's awards. Among the winners is Healey & Baker, the London-based property consultancy and the first business of its type to win an export award. This partnership's export earnings have more than doubled in the past three years.

Other award-winning contributors to UK invisible earnings include Bartle Bogle Hegarty, the advertising agency with main markets in Europe and North America, and Halcrow Holdings, the London-based engineering, planning and environmental consultants.

The technological achievement awards also reflect the ingenuity of the UK's healthcare industry, embracing research and development and the commercial exploitation of new products and processes. Half the 16 awards made this year in this category are healthcare-related.

Environmental achievement awards go to six companies, including Brook Hansen, the Yorkshire-based manufacturer of high-efficiency electric motors and Hoover of south Wales, for its environmentally advanced range of washing machines.

Continued on page 2

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THE QUEEN'S AWARDS FOR INDUSTRY 1996



Brandan O'Neil, managing director of Guinness Brewing Worldwide which wins an award for export achievement (see article on page 5) *Perpetua Wilson*

More help needed

Continued from page 1
For ministers at the Department of Trade and Industry, the exporting efforts of British companies make welcome news. But the DTI, charged with working with the Foreign and Commonwealth Office to help the UK's exporting, is far from satisfied.

petitiveness white paper "Forging Ahead", the government pledged itself to helping at least 30,000 new companies to start exporting by the year 2000. At present, about 100,000 UK companies are actively engaged in selling products and services overseas.

is hard to evaluate. In the financial year just started, the DTI plans to spend \$54m on export promotion nearly £10m more than in the previous 12 months. Ministers claim it will ever have been easier for potential exporters to find a helping hand as they take their first, tentative steps into overseas markets. Decent rewards, not to mention Queen's Awards, may await those prepared to have a go.

As part of its programme, ministers are also committed to raising the level of professionalism of civil servants engaged on trade promotion by increasing secondments between the public and private sectors and extending training. The appointment of export promoters, brought into the DTI from the private sector, to help spearhead export drives in target markets has been well received, although the impact of their activities is only just beginning to work through and

The Queen's Awards for Export Achievement		
Company	Location	Product or development
A		
Anglo Beef Processors	Blisworth, Northamptonshire	Beef and lamb processing
Audience Systems	Westbury, Wiltshire	Seating systems for auditoria
Autoflame Engineering	London SE8	Combustion control equipment
Avesta Sheffield	Sheffield, Yorkshire	Stainless steel
B		
Battle Bogle Hegarty	London W1	Advertising agency
Bass Beers Worldwide	Birmingham, West Midlands	Beer
Beamech Group	Manchester, Greater Manchester	Plastic foam-making equipment
Beck & Pollitzer Engineering	Dartford, Kent	Machinery installation, removal and relocation services
Biotrace	Bridgend, Mid Glamorgan, Wales	Hygiene testing systems
J. Blackledge & Son	Chorley, Lancashire	Waterproofed fabrics
Bratt Martin	Newtownabbey, Co. Antrim, Northern Ireland	Plastic building products
Bridge of Weir Leather Company	Bridge of Weir, Renfrewshire, Scotland	Leather for seating and interior trim
British Chrome & Chemicals	Stockton-on-Tees, Cleveland	Chromium-based chemicals
British Steel Special Sections - Skinninggrove	Cadrii How, Cleveland	Custom designed steel sections
Burberrys, Manufacturing and Export Divn	London E8	Clothing
C		
Camlin	Temworth, Staffordshire	Heat treatment furnaces
Chadwick-Healey	Cambridge, Cambridgeshire	Electronic and print publishing
The Chartered Association of Certified Accountants (ACCA)	London WC2	Accountancy professional and examining organisation
Toby Churchill	Cambridge, Cambridgeshire	Communication aids for people with speech disabilities
Clacknell MBecon U.K., Machine Tool Divn	Birmingham, West Midlands	Computer numerically controlled vertical machining centres
Conair Toiletries	St Albans, Hertfordshire	Toiletry and household products
D		
Dairy Produce Packers	Colemere, Co. Londonderry, Northern Ireland	Processed cheese
Designers Guild	London W11	Furnishing fabrics, wallpaper and soft furnishings
Digi-Media Vision	Eastleigh, Hampshire	Video compression systems
Dunlop Hydraulic Hose	Glasgow, Tyne & Wear	Reinforced rubber hydraulic hose
E		
E.B.L. Foods	Abingdon, Oxfordshire	Food stabilisers and ingredients
Edwards High Vacuum International	Crawley, West Sussex	High vacuum pumps, systems and instrumentation
English Hop Products	Tonbridge, Kent	Hop products and raw hops
Epichem	Bramborough, Merseyside	Speciality chemicals for use in semi-conductors
Eurostock Meat Marketing	Newry, Co. Down, Northern Ireland	Offal processors
Evens Medical	Leatherhead, Surrey	Pharmaceuticals and human vaccines
F		
Ferroc Holdings	Manchester, Greater Manchester	Light construction equipment
J & S Franklin	London WC2	Tents, shelters, camouflage netting and a range of personal equipment
G		
GPT Public Networks Group	Coventry, West Midlands	Telecommunication products and services
Garigue	London SW5	Woven fabrics
Gates Power Transmission	Heathhall, Dumfries, Scotland	Synchronous timing belts
Genetics Tilmates	Stokesley, North Yorkshire	Finishing profiles for construction industry
Glassco Feis	Glasgow, Gloucestershire	Live baby seats
Gosnell	Lighton Buzzard, Bedfordshire	Ladies' lingerie and foundation garments
William Grant & Sons	Motherwell, Scotland	Scotch whisky and other beverages
Guinness Brewing Worldwide	London NW10	Alcoholic and non-alcoholic beverages
H		
HSB Engineering Insurance	London EC3	Engineering insurance and consultancy
Halorow Holdings	London W6	Water and environmental consultancy
Healey & Baker	London W1	Property consultancy
I		
International Diamond Co	Newark, Nottinghamshire	Malt extracts and cereal syrups
International Lubants	St Albans, Hertfordshire	Journal publishing
IPTest	Guildford, Surrey	Automatic test systems
J		
JCB Materials Handling	Rocester, Staffordshire	Telescopic material handlers
JCB Special Products	Stoke-on-Trent, Staffordshire	Compact machines
K		
Lumbar Medica	Ting, Hertfordshire	Insulated shipping systems
Lily Industries	Basingstoke, Hampshire	Pharmaceuticals
Lombard Risk Systems	London EC4	Software for banking and financial sector
L		
Magneco/Metrol UK	Shildon, County Durham	Ceramic materials
Maybridge Chemical Company	Tingal, Cornwall	Research chemicals for biological screening
McClellan Special Products	Sheffield, Yorkshire	Threaded bar systems
McKechnie Vehicle Components, Extrusion Operation	Milton Keynes, Buckinghamshire	Fuel, vent and brake lines
Mechathern International	Kingswinford, West Midlands	Industrial furnaces and ovens
Mifem	Antrim, Co. Antrim, Northern Ireland	Construction software
Mobile Systems International	London E14	Software
Molypress	Celce, Wiltshire	Refractory metal products
Abraham Moon & Sons	Leeds, West Yorkshire	Woven wool apparel fabric
Morriflex, Consumable Tools Division	Deventry, Northamptonshire	Rotary deburring tools
Morrison Bowmore Distillers	Glasgow, Strathclyde, Scotland	Scotch whisky
Motorola, European Cellular Infrastructure Division	Swindon, Wiltshire	Radio telephone communication systems
Motorola, Europe, Middle East & Africa Cellular Subscriber Division	Bathgate, West Lothian, Scotland	Cellular telephones
Mott MacDonald Group	Croydon, West Sussex	Engineering consultancy
Mulberry Company (Design), Home Division	Stapton Mallet, Somerset	Furnishing fabrics and interior design accessories and furniture
M		
New Holland UK	Basildon, Essex	Tractors and components
Newbridge Networks	Newport, Gwent, Wales	Digital transmission products
Nikwax	Radfurze, East Sussex	Consumer products for waterproofing clothing, outdoor equipment and footwear
Nortal Radio Infrastructure - GPS Unit	Paignton, Devon	Equipment to simulate radio frequency signals
O		
Ocular Sciences	Southampton, Hampshire	Soft contact lenses
Orb Electrical Steels	Newport, Gwent, Wales	Electrical steel
Oxford Metrics	Oxford, Oxon	Systems used to capture and analyse human motion
Oxford University Press	Oxford, Oxon	Academic journal and book publishing
P		
Pamarco Europe	Warrington, Cheshire	Printing rollers and plates engraving
Paper Makers Export	Wellingborough, Northamptonshire	Paper
Paradise Databases	Tiptree, Essex	Digital satellite communication equipment
Perkins Consultants	Sutton, Surrey	Engineering consultancy
Perrell Group	Newport, Gwent, Wales	Money counting systems
Puretone	Rochester, Kent	Hearing aids and in-ear monitors
Q		
Queensgate Instruments	Bracknell, Berkshire	Wavelength demultiplexers and equipment for the semiconductor and disk drive industries
Quick Controls	Manchester, Greater Manchester	Touch display systems
R		
RBR Armour	London SE1	Body armour, combat helmets and ancillary equipment
Reilor	Preston, Lancashire	Cat flaps and dog doors
Reynard Racing Cars	Bossett, Oxon	Racing cars and components
Robinson Special Packaging	Chesterfield, Derbyshire	Spirally wound paperboard packaging
Robobond v/a Emetyl	London SE18	Picture frame mouldings
S		
Segal Quince Wolfsted	Cambridge, Cambridgeshire	Economic development consultancy
Senclair International	Norwich, Norfolk	Fruit labelling systems
Smith's Environmental Products	Chelmsford, Essex	Fan convecter heaters
Speedline	Northampton, Northamptonshire	Frozen bakery products
Steinberg	Lytham, Lancashire	Aerosol toiletries
Steel Wheels	Cockley, Worcestershire	Steel wheels
Storehouse	London NW1	Clothing, homewares and shop fittings
Swiftpack Automation	Alcester, Warwickshire	Automatic counting machines
Syler Technology	Norwich, Norfolk	Multilayer ceramic capacitors
T		
Terex Equipment	Motherwell, Lanarkshire, Scotland	Off-road dump trucks and scrapers
Thermopol	Crawley, West Sussex	Silicone rubber hoses
TRAK Microwave	Dundee, Tayside, Scotland	Ferrite microwave components
U		
Unipath, Consumer & Clinical Diagnostics	Bedford, Bedfordshire	Consumer and clinical diagnostic products
Universal Bulk Handling	Burscough, Lancashire	Intermodal tank containers
V		
Van Leer Metallized Products	Caeaphilly, Mid Glamorgan, Wales	Metallized film and packaging paper
Visual Communications Group	London E14	Reproduction rights to photographic images
W		
Weestabz	Kettering, Northamptonshire	Breakfast cereals
Willis Corroon, Financial Risks & Specie Division	London EC3	Insurance and reinsurance broking consultancy
Windson International	Oxlington, Kent	Pre-recorded tapes, CDs, video cassettes, records and associated products

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سكانت الامل

Food products by Roderick Oram

Deals on live eels

This year's winners include a company that exports eelers to markets in the Far East

High tech cheese and garlic bread for the coastline and eelers for Asia are just three of the food products which award-winning UK companies send abroad.

Glass Eels of Gloucester, named after the transparent baby eels, has a guaranteed market in one respect: eels do not breed in captivity. They spawn only in the Sagasso Sea in the South Atlantic. As the larvae drift across the Atlantic they develop into eelers seeking out Europe's rivers.

Fishermen on the Severn and other British rivers net eelers and sell them to Glass Eels for anywhere from under £5 to more than £100 a kilo depending on the supply and demand during the eel season of February to May.

The eelers are "rested" for a few days before starting a wildly different journey by air, at the whim of man. Six hours before flight time, they are packed in small polystyrene containers in ice cold water that makes them droopy. They are flown to the airport and airfreighted to the four corners of the world.

Asia is a popular market. The eelers are farmed there, developing into the tasty, expensive delicacy prized in Japan and other countries. Glass Eels also helps foreign customers develop their eel farming skills.

But European markets such as Italy, Greece and Sweden also show strong demand for eels for farming and restocking rivers, says Saiah Officer, of Glass Eels.

While the success of Glass Eels, set up in 1990 by Peter Wood, a local businessman,

hinges on the mysteries of nature, the success of Dairy Produce Packers is rooted more firmly in high technology.

The Coleraine, Northern Ireland company uses high science to tailor its processed cheeses to its customers' needs. Melting points are critical, for example, to fast food chains, makers of microwave meals and other users of the company's cheese.

"We have a big market share in these areas," says Garnett

The tasty, expensive delicacy is prized in Japan and other countries

Faulkner, commercial director. Its use of technology to achieve different "melt characteristics" is one of the company's selling points. "Close working relationships with our clients has, I believe, been the key to our success."

The company is the largest maker of processed cheese in the UK and its parent, Golden Vale Group of Ireland, is the fourth largest in Europe.

Dairy Produce, which exports about 45 per cent of its output, began exporting in the mid-1980s and has sales offices in the Netherlands, Spain, Denmark and France.

It is now looking beyond Europe to Japan, elsewhere on the Pacific Rim, the Middle East and Africa. The company is investing £7m this year on a new plant in Coleraine just for catering production lines.

Garlic bread sold on the continent is one of the products of Speedbake, the Northampton subsidiary of Associated British Foods. It has bakeries in

Northampton, Wakefield and Bradford and employs 460 people. Founded in 1984, its annual sales are about £100m at retail prices.

"Export sales have grown dramatically over the past three years and account for 10 per cent of total sales," says Robert Vance, sales and marketing director. It sells to eight European countries.

Among other food awards, Westbrix of Kettering has won its third this year to add to those of 1974 and 1991.

The company, established in 1982, exports its distinctive range of breakfast cereals to the continent, Far and Middle East, the Caribbean, South America and Africa.

EBI Foods of Abingdon, has won an award for its exports of food stabilisers and ingredients for the dairy, meat and poultry businesses. Export markets include the European Union, Far and Middle East and several new ones, such as South Africa and India.

Founded in 1984, it is minority owned by Anthony Taylor and Edward Fox, two of its executives, and majority owned by Elgin Blenders of the US, a subsidiary of Dean Foods, according to a Dun and Bradstreet report.

The company has just under 30 employees.

PROFILE Oxford Metrics: motion capture and analysis system

Technology in motion

A system tracking human movement has proved a winner in global markets, says John Simkins

The movements of figures in sporting video games, such as golf or football, are becoming increasingly realistic and three-dimensional. This is partly thanks to the Vicom motion capture and analysis system developed by Oxford Metrics.

The Oxford-based company, a Queen's award winner this year, exports 90 per cent of its turnover. Its biggest markets are the US and Japan.

Although the newest application of Vicom is in animation for films, special effects, television commercials and video games

with Jim Henson's Creature Shop among the users - the main outlet for the system is the medical market.

The system enables surgeons to treat children with walking disorders

including limb amputation, Parkinson's disease, hemiplegia and spinal injuries.

The main Vicom range, costing from £70,000 upwards, is exported to more than 20 countries and is installed in many US children's hospitals. The Nuffield Orthopaedic NHS Trust in Oxford is among the British users.

Oxford Metrics was set up in 1984 by Dr Julian Morris, its managing and technical director, as a management buy-out from Oxford Instruments. The company has worldwide annual sales of about £3m, a 20-strong workforce at Oxford, a US subsidiary in Baton Rouge, Louisiana, and a distributor to Los Angeles.

Dr Morris's interest in motion capture dates back to the 1970s when he was a researcher in orthopaedic engineering at Oxford University.

Motion analysis techniques then involved the laborious frame-by-frame measurement of cine film.

The Vicom system, which he first commercialised at Oxford Instruments, tracks the motion of reflective markers attached to various

points of the body, or other moving subjects.

Tracking is achieved through synchronised, high-resolution video cameras producing images which are transmitted to a computer. The computer software combines the camera images to determine the three-dimensional location of each marker in each video frame, allowing movement of the limbs to be measured and analysed.

The result, when applied to video games such as a recently released Diehard action adventure, means that actors supply the movements used as the basis of animation.

Pete Meddings, Oxford Metrics' sales and marketing manager, says that the shift to motion capture, as opposed to traditional computer-aided animation "is quite dramatic in video games. It is a young and vibrant industry and motion capture enables it rapidly to produce realistic animation."

He forecasts that the company's recently formed entertainment division will make as big a contribution to profits as the medical business within two years.



The system helps treat children with walking disorders

PROFILE Rellor: cat-flap makers

Accolade for pet favourite

When Rellor decided to manufacture cat-flaps in the 1960s it realised it could not use stainless steel, from which it made door furniture. The sharp edges would risk turning all feline users into Manx cats.

"This was out of the way to look after cats," says Brian Kerr, managing director of Rellor of Peston, in Lancashire. So the company, set up in 1967, switched to plastics and holds 85 per cent of the UK cat-flap market. Although Rellor still makes door furniture, its Staywell cat-flap, a simple device fitted to a hole cut in a door, accounts for the bulk of annual sales of over £25m.

Rello estimates that despite Britons' love of cats, only a fifth of owners have cat-flaps. Much of its business comes from repeat orders when owners and their cats move house, so sales are affected by the state of the housing market.

Mr. Kerr, who joined Rellor three years ago from Berger Paint, says that during the recession the company had to find way to expand. "We decided to export ourselves out of recession," he says. Over those three years Rellor has increased its exports by 50 per cent to a total of £2.5m in 1994-95, securing a Queen's Award for export.

The company employs between 65 and 75 people depending on the season. "In mid-winter no one wants to cut a hole in a door, while in spring and autumn people

are into DIY," says Mr. Kerr. The most up-to-date cat-flaps can be programmed to admit only the owner's cat with its personalised microchip collar.

Although cats are not pampered everywhere overseas - and even end up in the cooking pot in some countries - Rellor has not met consumer resistance abroad. Temperate zones offer the best opportunities to hot countries doors are kept open. Western Europe, with only one rival manufacturer, is Rellor's best market, with Dutch, French and Germans customers to the fore. The company employs export staff with language skills who ensure that the product, and packaging, is acceptable to each market.

Rellor does little business in Asia but is hoping for growth in eastern Europe after a successful launch in Russia. It turned down a huge order from Nigeria for fear it would not get paid, but sales are good in Japan where cats are forbidden to roam and cat-flaps allow the animal access to an enclosed space such as a patio.

Mr. Kerr says the company has barely scratched the surface in the US market, where it has a subsidiary and where its founders, Reld and Taylor (hence Rellor) originally came across the cat-flap.

John Simkins

St Michael

MARKS



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THE QUEEN'S AWARDS FOR INDUSTRY 1996



New markets: explosive growth is taking place in the communications sector

■ Telecommunications: by Alan Cane

Transmission possible

Five companies have been honoured for their role in the digital revolution

The explosive global growth of the information and communications sector - which is expanding at twice the rate of the rest of the world economy - is helping to restore the UK's reputation as a commercial force in technology, even if there is a significant overseas interest among this year's winners.

Five communications companies this year share six Queen's Awards for Export Achievement. For one of them, the public networks group of GPT, the UK's largest telecoms hardware manufacturer, it is the "great comeback story", according to Alex Findlay, director of the group's international business division.

The group had been performing poorly at the turn of the decade. Now, after sharp refocusing of its activities, it can point to three years of successful exports, selling the most advanced networking products to more than 100 countries.

Its technologies include the System X exchange, which is at the heart of the UK's public telephone network, the Synchronous Digital Hierarchy (SDH), which underpins many modern transmission systems and intelligent network solutions - essentially computers that can be attached to switching systems to broaden their range of capabilities and the kind of services they are able to offer.

In each of the past three years, GPT, which is majority owned by GEC of the UK with Siemens of Germany having a minority stake, has doubled its sales export figures according to Tom Hodgson, marketing director. It leads in some key areas, with 28 per cent of the world market for SDH transmission systems: it has installed more SDH systems in France than Alcatel, the French company that is the world leader in telecoms hardware.

For the UK subsidiary of the Canadian company Newbridge Networks, 1996 has brought its third Queen's Award. A world leader in advanced data transmission technologies, the company has been ideally placed to exploit the current interest in Asynchronous Transmission Mode (ATM), a technique that wraps chunks of digital data in electronic packages complete with forwarding addresses and transmits them at high speed. Voice, video and data traffic can be transmitted over a single line using ATM technology.

Big contracts secured by Newbridge last year include a \$50m, two-year, networking project for the Swiss telephone authority. Earlier this year, the company established an alliance with Siemens to attempt to secure a larger share of the world market for ATM technology.

Two UK units of Motorola, the US semiconductor and mobile communications manufacturer, won awards this year, both for the second year running. Their success reflects the worldwide enthusiasm for mobile telephony and in particular for GSM technology,

which is rapidly becoming the world standard. The first, the European Cellular Infrastructure Division based in Swindon, designs, manufactures and installs computer-based radio telephone systems.

The infrastructure division builds, in fact, the base stations, the radio circuitry and computer controls that make cellular telephony possible. In the past 12 months it has won orders for radio telephony infrastructure throughout the world and is working on advanced digital voice and data communications.

The second, the European Cellular Subscriber Division, which is based at Easter Inch in Scotland, makes cellular handsets and exports them to Africa, China, Japan and Russia. The facility, which makes both analogue and digital phones, employs some 2,000 people.

Among its more interesting products is the "Starac" reusable phone, said to be the smallest and lightest on the market. Another development is the Map phone, which will give access to voice, data, electronic mail and the Internet through touch screen technology.

Mobile Systems International is a six-year telecoms software group based in London's docklands. It was founded with the aim of developing software and consultancy services for the design, planning and operation of wireless networks for mobile phones, pagers and other radio-based services.

It now has a turnover of £25m and more than 350 employees in six offices around the world. Its "Planet" soft-

ware is used to design and plan digital radio networks in more than 60 countries.

According to MSI, virtually all the world's leading manufacturers and some 70 operators design cellular networks using Planet. Essentially, the software is able to manipulate a broad range of geographic information about a country to enable planning down to the nearest square metre.

The next challenge for the company will be the introduction, probably next year, of dual mode handsets capable of working at two different frequencies. John Carrington, managing director, says: "Our success is built around our extensive knowledge of telecoms. This is expressed both in the expertise of our people and in our state-of-the-art software products."

Perhaps the most unusual winner in the telecoms group is the GPS Unit of Northern Telecom, the Canadian telecoms manufacturer, based in Paignton, Devon.

It designs, develops and manufactures equipment to stimulate radio frequency signals emanating from satellites. These simulations are used to test global positioning receivers - devices that are able accurately to pinpoint their location on the earth's surface - by pretending that the apparatus is placed in boats, aeroplanes and so on.

Global positioning systems have become increasingly popular as their price has fallen. The unit's principal markets are in North America and Europe with considerable interest now being shown from Japan.

■ Steel products: by Stefan Wagstyl

New markets for old mills

How four steel product makers have compensated for a slump in their domestic market

Anyone wanting to buy their way into export success would be well advised to take a look at McCalls Special Products.

For this award-winning maker of steel ties for the building industry was set up for sale earlier this year by its parent group, ASW Holdings. "You can say it's ironic," says James Edie, managing director of ASW's construction systems business, which includes Sheffield-based McCalls.

ASW is selling the business in order to concentrate on its core operations making steel beams and wire and to cut its debt. Mr Edie believes it will have little trouble selling McCalls, given its strong recent record.

McCalls is one of four steel products companies to have won the Queen's Award for Export Achievement for 1996.

These others, all affiliates of British Steel, the UK's dominant producer, are Orb Electrical Steels, of Newport, Gwent, Avesta Sheffield, the stainless steel company, and British Steel Special Sections, of Skinningrove, Cleveland.

McCalls itself was a subsidiary of British Steel until it was sold to ASW in the early 1990s. The company profited

greatly from last decade's boom in the UK construction industry. Its main products are the steel ties that are used to anchor and hold together beams on large buildings.

The slump in construction at the end of the 1980s put McCalls under great pressure to find new markets. Mr Edie says: "We had been serving our protected market in the UK. Now we had to look overseas."

Fortunately, the company was well placed to develop export sales because of its links with UK-based consulting engineers and architects, which manage many large overseas projects. Sales soared, doubling to £10.6m annually in the five years to 1995, with the export share growing to 65 per cent.

McCalls supplied ties for Kansai International Airport, in Japan, the Johannesburg Athletic Stadium, and the Cardiff Bay Barrage.

The company doubled its staff from 50 to 105 and opened overseas offices in Kuala Lumpur, Hong Kong, Paris and Lisbon.

Orb Electrical Steels, a subsidiary of European Electrical Steels, a joint venture between British Steel and Svenskt Stal of Sweden, won its award after raising exports to 60 per cent of total sales.

The company, which had a turnover of more than £100m in the year to March 1995, produces high-quality precision steels for electricity generation

and transmission equipment and for motors and electrical appliances. It employs 838 people, mostly at its plant in Newport where it first started production in 1986.

The company says that it is the only electrical steel maker with a laboratory handling work for the government-sponsored National Measurement and Accreditation Service.

Avesta Sheffield, the UK's largest stainless steel maker, exports to more than 50 countries.

The company was formed in 1992 by the merger of Avesta of Sweden and the stainless steel interests of British Steel. Covering the UK interests of the merged companies, it is 51-per cent owned by British Steel.

Avesta has increased exports by 96 per cent in the past three years, mostly to continental Europe, which accounts for 76 per cent of the company's overseas sales. Important orders include a \$4.5m contract for sheet for cladding the Petronas Twin Towers skyscrapers in Kuala Lumpur and sheet worth

£250,000 for the new port of Human Rights building in Strasbourg.

Jerry Gorman, executive vice-president, says: "This company has been through some major changes in recent years to develop a highly efficient streamlined operation, which has dramatically increased its output."

British Steel Special Sections, which employs 39 people, makes custom-designed steel sections that are used as components for mechanical shovels and other earth-moving, construction and handling equipment, and for ship-building.

Exports, which account for more than 80 per cent of sales, have risen from 91,000 tonnes in 1991-2 to 168,000 tonnes in 1995-6. The company is the first non-US business to win certified supplier status from Caterpillar, the American construction equipment maker.

It says its recent success has been founded on the £20m modernisation of its rolling mill, which, carried out in 1993, increased efficiency and quality.

Mike Grimble, the managing director of British Steel Special Sections, says: "This demonstrates what can be achieved on an international stage by a small operation... The strong community spirit at Skinningrove, with a high proportion of the workforce living in the local villages, has been a big help in our success."

PROFILE

Sinclair International, a company that has done bananas

Yes, we can do bananas

The apples advance in single file at a cracking pace of up to 800 per minute. At the end of their sprint, at least 85 per cent of the fruit will bear a tiny label, providing point-of-sale brand promotion wherever they are sold.

In the US now, and soon in other countries, that little label carries a code to help solve one of the frustrations of supermarket shopping - the delay while the check-out clerk decides what variety of fruit to charge for.

And when you are ready to bite into that apple, you no longer need to worry about breaking its skin as you try to peel off the label. A tab sticks up to enable the label to be seen and then lifted off.

Advances such as these have won Sinclair International, the Norwich-based fruit-labelling specialists, its second award for exports in five years. Exports to 30 countries account for more than 98 per cent of sales.

In the 14 years since it was founded by Peter Briggs, Sinclair has established world leadership in providing "total solutions" for labelling fresh

produce. It does not just supply the machines, which can be adapted to label anything from a mandarin to a melon. It also services them and designs and manufactures the labels.

Increasingly, moreover, it is taking a lead in helping to develop world standards for "price look up" (PLU) numbers on produce labels.

Through their Produce Marketing Association, US retailers have taken the lead in introducing PLU numbers which perform the same function as bar codes.

Sinclair's campaign to persuade other countries' retailers to adopt the US numbering system has been boosted by the release of enough 4-digit PLU codes to accommodate 2,000 varieties of fresh produce. The company has more than 35 per cent of the mechanical PLU market.

It has developed a number of products for special market needs. They include a programmable labeller that can label individual fruits positioned in trays, at the rate of up to 30 trays per minute. The tab-fit label, another

such innovation, is used on all apples exported from South Africa and New Zealand. The label is made of thin polyethylene laminate, so it requires only a small amount of natural adhesive.

Mr Briggs, chairman and chief executive, says this is one example of Sinclair's using its research and development to anticipate customer demand.

Sinclair, which employs 94 people in Norwich, is also breaking into markets where the low cost of labour has preserved hand-labelling. It has developed a system to meet the cost-conscious demands of a Moroccan customer.

Bananas, one of the first fruits to be "branded", posed special problems and had stickers put on by hand because of cost and because a bunch is not an easy configuration to label mechanically. The company has now won its first banana-labelling contract in Australia.

In other markets, speed is of the essence. In New Zealand's 12-week apple packing season

and six-week kiwi fruit season, a total of 4bn fruits must be handled.

Sinclair retains ownership of its labelling machines, servicing them and providing spare parts for free. In most cases, it provides the flexible application to customers against a four-year labelling contract. "We can label an avocado with the same machine that we label an apple or a kiwi fruit," says Tony Soyle, international marketing director.

Labels are often produced to very short lead times, and the high quotient of service in Sinclair's packaging customers means that most management, marketing, service and technical personnel travel regularly.

Mr Briggs says Sinclair can produce in Norwich as a single-site manufacturer as cheaply as anywhere in the world. Norwich also has access to KLM's international network through AUK's feeder flights to Schiphol airport.

Clay Harris

Speedibake

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Healthcare products: by Motoko Rich

Small turns out to be profitable

This year's winners demonstrate that exporters can be achieved without huge budgets

A large staff, multinational brand and big budget are not necessary to excel in export market - a fact well-proven by the healthcare winners of the Queen's Award for Export this year.

Included in the list of winners are a family-owned and run maker of communications equipment with 20 staff and annual sales of £2m; a small, Blackpool-based aerosol toiletries manufacturer; and a pharmaceutical transport carton maker which is just moving out of its 15,000 square foot office.

Toy Churchill, the Cambridge-based manufacturer of communication aids for people with speech disabilities, drives 50 per cent of its annual turnover from exports. Its largest market is the US, followed by Europe - with a large market in Scandinavia - Australia and New Zealand.

Toy Churchill, managing director, invented the first "Lightwriter" - a dual-coloured electronic device

which also has speech synthesis capability - and began selling them in 1973.

Mr Churchill, who was paralyzed after contracting a virus and is unable to use his voice, continues to oversee the R&D team, while his wife, Sheila, manages the administration of the business. His younger brother, Simon, is marketing director.

The company sells direct to hospitals and private individuals in the UK, and uses distributors abroad. Its distributor in the US, Zygo, an Oregon-based communications equipment maker, is the former employer of Sheila, who met Toby via fax.

The group is now investing in another factory unit in Cambridge. Another rapidly expanding export award winner is Statestrong, an aerosol toiletries maker, which has recently doubled its manufacturing capability to meet demand, largely from exports.

"We have targeted exports as being the way forward for the company," says Stephen Baptist, Statestrong's chairman and managing director. "It was the only growth that I could foresee 12 years ago when we took over the business because the UK market has been somewhat in decline."

Statestrong, which was founded about 50 years ago by the Slater family, was a UK pioneer in aerosol products. Today about 80 per cent of its sales - expected to be about £25m in the year to June 30 - are derived from exports. Its main markets are eastern Europe, the former Soviet Union, and now, Asia. The

'Overseas markets are much larger and there is much more to go for'

group has received its first orders from Thailand and China. "That is where we see the company's future growth," says Mr Baptist. The group has not always enjoyed such success. It ran into troubles in the early 1980s, shortly after Mr Baptist joined the group as a line manager, and was put into receivership by its banks in 1983.

A group of four businessmen rescued the business, and changed its name from Blackpool Aerosols to Statestrong.

Shortly after the group's resurrection, Mr Baptist decided to buy shares - he now owns about 12 per cent of the total - and subsequently he ascended the company ladder, reaching the managing director's office seven years ago.

Mr Baptist said the group was now setting its sights on South America, where it hopes to begin selling within the next 12 months.

Laminar Medica, which makes shipping systems for the transport of temperature-sensitive pharmaceutical products, is considering the expansion of its product offer rather than its geographical spread. "Our shareholders want us to invest in expanding the things that we do and the range that we can offer," says Quentin Shrimpton, operations director at Laminar.

The company is considering offering its product to the food industry, which it believes is not well-served for international transport.

The company, which makes cardboard and polystyrene carrying cases, has helped international pharmaceutical groups transport drugs, vaccines and other products which need exact temperatures to travel. "We provide the system

whereby they can ship with relative impunity," says Mr Shrimpton. "We help them make sure their products get to the end patient in a viable form."

Without such systems, some groups have been forced to rent out entire refrigerated trucks just to carry a few vials of a vaccine. Laminar's system is tailored to the needs of the product and therefore can be made small enough to be shipped by air.

Exports, which have grown by 50 per cent since 1983, have helped the company to fund the expansion of its facilities from 15,000 to 30,000 sq ft.

Although Biotrace, whose testing systems are used by food and drink manufacturers to check the cleanliness of their production lines, fell deeper into the red last year as a result of expansion into export markets, it believes its new chief executive, Jim Keir, will help the group exploit this investment.

The group, which derives 55 per cent of its sales from exports, says export markets are the most exciting.

"Overseas markets are much larger and there is much more to go for," says Ian Johnson, marketing and development director.

Drinks: by James Buxton

Pints pulled abroad

A Bass unit has found new markets overseas for a traditional British product

With imported lagers on sale in almost every pub in England, an Englishman might be forgiven for thinking that foreigners drink nothing but lager or other "blond" beers.

Nothing could be further from the truth, however, as is demonstrated by the export performance of Bass Beers Worldwide, which has won a Queen's Award for Exports.

"Our flagship international product is Bass Ale," says Simon MacDonald, managing director of the Birmingham-based division. Bass Ale, a bitter or pale ale, has benefited in the past eight years from what he calls a "taste explosion" in the US, as drinkers have turned from lagers towards fuller tasting beers.

Bass Ale, which Bass has exported since 1798, is now the best selling imported draught ale in the US, according to the company. Two important factors work in favour of Bass Ale in markets such as the US: the heritage of Britain, which drinkers feel they are imbibing with the beer, and the cachet conferred by the "imported" tag.

Bass Beers Worldwide sells beer through 500 distributors in a wide variety of markets and supports the development of British-style Bass public houses in Europe, where there are now about 100. Its exports, accounting for a third of the 5m barrels of beer exported each year by the UK, have increased by 45 per cent in the past three years, and account for nearly 10 per cent of Bass's beer output by volume.

Bass Ale is brewed at the Cape Hill brewery in the heart of Birmingham. The company also exports Tennent's Lager brewed in Glasgow - "a genuine Scottish Lager heritage," Bass says. Following the group's purchase in 1993 of a stake in a brewery in Prague, the group added Staropramen, a Czech Lager, to its portfolio, selling it in the US, Italy and Spain, as well as the UK. Guinness stout, exported to 150 countries, has helped Guinness

Brewing Worldwide win its first Queen's export award. Guinness claims it is the world's most widely-distributed beer. It is exported to the US, the Far East (especially Hong Kong, Australia and New Zealand) and Europe, notably Italy and Germany.

Guinness also supplies the essential ingredients of its stout to 47 countries, enabling local breweries to produce it locally. Its biggest markets include Nigeria, Kenya, Jamaica, Malaysia, Singapore, Ghana and Seychelles.

Guinness believes its stout is complementary to blond beers. This has enabled it to set up joint sales and brewing arrangements which do not threaten the blond beers of its trading partners.

Stout from a tap or pump is not the only export product of Guinness Brewing Worldwide.

Guinness claims it is the world's most widely distributed beer

In 1999 the company launched Draught Guinness in a can, to enable consumers to enjoy the taste and qualities of draught Guinness at home, and followed it in 1992 with Guinness draught bitter in cans. As part of the company's export promotion it supports more than 800 "Irish" pubs worldwide.

Guinness says it is the world's seventh largest brewer in terms of pre-tax profits - £270m in 1995 - and the ninth largest by output volume. On a far smaller scale this year's winners include English Hop Products, a business with 54m in annual turnover, which exported half its production. It sells hops - the ingredient which gives beers their bitterness or flavour.

The company, which is based in Tonbridge in the hop-growing area of Kent, is jointly owned by English Hops, the largest co-operative of hop growers, and Hopunion, an international hop growing, processing and trading group.

It is a one-stop shop that can supply raw hops, and also provide hop pellets and extract, thanks to its technical know-how and its R&D efforts. A big share of its exports go to Europe, the US, Australia and India, and it has recently opened a sales office in Moscow.

British Diamalt is in a similar position. The company, which is part of US-owned International Diamalt, produces liquid and dried malt extracts for the food and drink industries, including brewing. Based at Newark on Trent, Nottinghamshire, its main export markets are North America, West Africa, the Middle East and the Far East.

Its exports have doubled in the period of the award application, with important growth in Russia, other CIS states, South America and Australia.

William Grant & Sons is notable for being a family-owned business (one of the largest of its kind in the UK) that has preserved its independence since it was founded in 1887.

Although many people associate William Grant with its Glenfiddich single malt whisky, the export performance which led to the award was related to its blended whisky brand, Grant's. Grant's is the fifth biggest selling whisky brand in the world, and the fastest growing large Scotch whisky brand.

Its export sales are heavily focused on Europe, which accounts for 59 per cent of its business, where France is an important market. The US and South America are the next largest export markets.

Export sales account for more than 70 per cent of William Grant & Sons' total sales (its annual turnover is a little under £250m). Exports grew by £30m in the three years to 1995.

A fellow award-winning Scotch whisky company is Morrison Bowmore Distillers, a Glasgow-based distiller. Its portfolio includes the Bowmore Islay single malt, made on the island of Islay, and the Auchentoshan Lowland malt, distilled at Dalmuir near Glasgow. Morrison Bowmore belongs to Japanese drinks company Suntory. Its exports have doubled in the period of award application and make up two-thirds of production.

PROFILE Chadwyck-Healey: information specialists

Cambridge firm spreads the words

It's not quite selling coals to Newcastle, but selling Goethe to Germany is one of the reasons why Cambridge-based information specialists Chadwyck-Healey has won its second award for export achievement.

The company produces academic and research data on CD-Rom, microfiche, microfilm and in book form. Its main export markets are Europe, the US, the Far East and Australia.

Chadwyck-Healey was set up in 1973 by its chairman, Sir Charles Chadwyck-Healey, and has sister companies in Paris, Madrid and Alexandria,

Virginia. It went electronic at the end of the 1980s and that medium now represents about 60 per cent of its business.

Next month the company plans to launch its services on the Internet.

It has built a reputation within the industry by tackling huge, high-profile collating and publishing projects. In 1991, the company released the *English Poetry Full-Text Database*, a collection of four CD Roms covering every published English poet from Saxon times to 1900.

The company says its "substantial" sales in 19

countries have "made an important contribution to the company's export success".

Other large literary full-text databases which have sold well overseas include *English Verse Drama*, which contains over 1,800 works by more than 500 authors; 21 versions of *The Bible in English*; and *Editions and Adaptations of Shakespeare*.

Last year the company published its first database specifically for the German market - filling a gap in the market there - when it produced *Goethes Werke auf CD-Rom*, an electronic version of Goethe's works, including

the footnotes, in the definitive Weimar edition.

Chadwyck-Healey's international partners include the United Nations, the EC's Office for Official Publications, the National Security Archive in Washington DC and the Russian State Archival Service.

After the removal of the ban on the Russian Communist Party in 1991 Chadwyck-Healey clinched a deal for exclusive rights to market archives of the Communist party of the former Soviet Union in the west, and in partnership with

the Hoover Institution, began to transfer the huge archive of the former Soviet Communist party and state to microfilm.

When the company won its first export award in 1987 it employed 24 people and had export sales of £970,000. By June 1995, export sales had grown to over £7.5m and staff numbers had risen to 102. Since 1993, its export sales have risen by 135 per cent.

Stephen McGookin

DMV

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Specialist vehicles: by John Griffiths

The engines of growth

Winners range from construction equipment makers to racing car manufacturers

JCB Group has come a long way since its founder, Joe Bamford, first started the Staffordshire-based construction and agriculture machinery business soon after the second world war. Now its equipment is found all over the world - reflected in the 11 Queen's Awards for exports it has won since the scheme was founded in the 1960s.

This year sees the group's third "double" - two export awards received by JCB subsidiaries in a single year. One goes to JCB Materials Handling, which produces telescopic handlers at Rostec in Staffordshire.

Founded in 1978, the company has a turnover of nearly \$95m and its "Loadall" machine is claimed to be the world leader. Exports have risen from \$20.4m in 1993 to \$51.8m last year.

Recently the company invested \$4.5m in the Rostec facilities to install new plant and equipment to enhance build quality - a move substantially increasing confidence among the company's 180-strong work force.

"When the company was founded JCB had to pioneer and develop this revolutionary materials handling machine: now we're number one in the world," says David Bell, managing director. This year's award is the second for the company, the first having been won in 1984.

The other award-winning subsidiary is JCB Special Pro-

ducts, which makes compact equipment including back hoe loaders, rough terrain fork lift trucks and wheeled loaders at a purpose-built \$10m factory in nearby Cheadle, Stoke-on-Trent, completed only last year. Founded in 1965, the company has seen its export earnings rise from \$17.5m to \$48.7m over the past three years, compared with a total turnover last year of \$98m.

The company employs more than 200, with principal exports in Europe and North America and "significant growth" projected for the Asia-Pacific region by its managing director, Jim Edwards.

Awards have gone to other engineering-based companies in closely-related sectors. Terex Equipment, based at Motherwell, Lanarkshire, is a US-owned producer of off-road dump trucks and scrapers for use in construction, quarrying and similar activities which exports to some 60 countries.

It, too, is focusing heavily on the growth markets of Asia and the Pacific rim and is currently discussing a collaboration agreement with a so-far unnamed Japanese partner to pursue opportunities in the Japanese market, the world's fifth largest for such equipment.

Further south, at Stretford, near Manchester, Farnac Holdings is celebrating its second export award within six years for the backhoes, mini excavators and industrial tractor loaders which find their way to 70 markets. The company was formed in 1992 from a management buyout of the MF Industrial business, then part of the Massey Ferguson group, part of Varty Corporation of the US. Its exports have almost doubled over the past three

years, partly as the result of the introduction of mini excavators to the product line last year.

New Holland UK, the tractor manufacturer, also the recipient of an exports award, began life nearly 70 years ago as the tractor division of Ford Motor Company. A landmark in its history came in 1991, however, when Ford sold it to Fiat to create the New Holland group. For the Basildon, Essex-based company this is the second export award in a row, although the first under its latest name.

Reynard was one of the first specialist motor racing concerns to receive an exports award

Three quarters of its output is sold overseas, through a network of dealerships and importers in some 120 markets worldwide.

Last year it was 27th in the *Financial Times* top 100 list of exporters. Its exports are concentrated on tractors in the medium to high horsepower range, with the balance made up of diesel engines, agricultural equipment and components.

Fast-moving exports have an extra meaning for another recipient, which represents a small but by far the most successful sector of the UK motor industry, Reynard Racing Cars, located in the heart of the UK's world-beating motor racing industry at Bicester in Oxfordshire, produces several hun-

Textiles: by Jenny Luesby

Designs on global markets

Being British is not enough. New ideas are also needed to catch the eye of foreign buyers

Creativity must be an element in the success of almost every company, but in textiles it is close to being the whole story, according to this year's export award winners.

In overseas markets, the "British look" still possesses an enormous cachet. But, increasingly, this look needs to be combined with innovative designs in order to produce sharp export growth, the winners say.

This is the case even for the oldest and most prestigious of British fashion names such as Burberry.

Burberry, winning its sixth Queen's award this year, has now clocked up more than any other British clothing company.

It describes itself as the "quintessential British brand" and few would disagree. But despite the Burberry appearing in the Oxford English Dictionary as a raincoat, rainwear accounts for just 10 per cent of the company's sales.

It has been by expanding into other clothing, leather goods, scarves, perfumes, watches, glasses, jewellery and even food and whisky that Burberry has lifted its export sales by \$30m in the three years considered for this year's awards.

Similarly, it is through diversification that Mulberry has achieved success in overseas markets and won its third award.

Known as a producer of high-quality leather goods,

Mulberry appears to have bucked every trend visible with its relatively young home furnishings division.

The division was launched at the height of the recession and during a hiatus in the fashion industry, says its chairman and designer, Roger Saul.

"It was the time of Grunge, and deep uncertainty about where the fashion market was going," he says.

However, throughout the 1990s, people had been asking where they could buy the chairs and wallpaper used in Mulberry shops. The depth of the recession made it easier for the company to diversify into both.

"Mills, weavers and printers were all crying out for work and willing to be much more flexible than normal," says Mr Saul.

As a result, Mulberry launched its first home furnishings collection in just nine months, "from scratch", according to Mr Saul.

It manufactures none of the range, but designs and markets all of it. Exports represent more than half of the company's total sales.

Several of this year's award winners have also focused their activities on designing and marketing goods rather than manufacturing.

The Designers Guild, which has lifted its exports of home furnishings from \$5m a year to \$25m a year over the past decade, also manufactures nothing, its strength, it says, lies in the design skills of the company's founder, Tricia Guild.

The author of six design books, Ms Guild leads a team of designers in creating everything from furnishing fabrics to china.

Garigue, another of the winners in this sector, is also a designing company. One of the smallest export award winners, with a turnover of \$2.5m, it has just three employees; the founder, Edmund Garigue, his wife and his son.

Mr Garigue is 70 years old and still full of energy. He first began working in the textiles industry in 1930, aged 14, but it was not until after the second world war that he began to design fabrics for the Paris couture.

He describes his long and

intended for clothing.

"We have always been geared towards exports: in the 1930s we had contacts in Japan," says Mr Walsh. However, since 1993 and 1995, Moon lifted its exports by 80 per cent.

"There were seven mills in Leeds. Now there is only one: ours - the last two have closed down. They have been reformed as a McDonald's Drive-Through multi-gym."

Moore has a design team of four. They all have degrees in textile design: three of them from Leeds University.

"The whole range of our handwriting, but our focus lies in adapting our colours to the nuances of each market," says Mr Walsh.

"In Japan, our customers have different skin tones and they certainly do not want large checks that we sell in the US."

"In Europe, Italy is one of our top markets. They love a British look. But their ideas are more classical and exact than ever the British look was."

"In France the British look can be positively oddball: a acid yellow, or wacky green. In Germany, there are just strong colours that come on, go with each season, dictated by fashion."

"We could survive anywhere. We are in the UK for historical reasons. But since we are here, survival rests on constantly keeping in touch with our customers. We cannot sell to Japan, without getting on a plane to Osaka, and talking to people."

"We have to modify everything and we have to keep coming up with new ideas. If we stood still, we would die," Mr Walsh says.

slow climb to fame with a burning passion: his speciality may be wool, he says, but his hobby is physics.

"I try to accent people's movements with my fabrics, by twisting the yarn so that it bounces light. With a triple twist, it even creates a small aura of colour around the wearer."

"For 37 years, I ran an overdraft, but not for the last 10. Now everyone wants us," he says.

When it comes to colour, John Walsh of Abraham Moon can also become wrapped up in his subject. "You want to talk about colours? Have you got several hours?"

Colour, Mr Walsh says, and export sales, lie at the heart of Moon's success as a manufacturer of woven wool fabrics

PROFILE Bridge of Weir Leather

Winners in a material world

British beef may be off everyone's menu, but British cowhides have never been in greater demand, according to export award winner Bridge of Weir Leather.

"British cows are tagged in the ears, rather than branded. They are overwintered indoors. The cold climate means less insect damage. And the animal husbandry, generally, is among the best in the world," says Jonathan Muirhead, managing director of the company.

As a result, tanneries in the UK are working with outstanding raw materials: and it makes sense to process them on the spot.

Transporting raw cowhides to Asia costs more than freighted processed leather. And while much of the leather industry has decamped to Asia driven by labour costs,

tanning is capital intensive, rather than labour intensive. "The main difficulty for tanneries in the UK is that their European customer base has contracted so much," says Mr Muirhead.

However, Bridge of Weir Leather's European market is thriving. The company does not supply leather for handbags, belts and shoes. Instead, its leather covers the seats in the new British Library and the arm-rests in British Airways' upgraded first-class cabins. It is to be found in law courts, hotels and even the Houses of Parliament.

However, most of all it is in cars - with three-quarters of the company's sales made to the car industry. "There was a time when leather for car interiors was the preserve of Rolls Royce, Jaguar and



Seats of learning: Bridge of Weir's leather covers the chairs in the new British Library

Mercedes," says Mr Muirhead. "These days, every car maker offers a leather option, even Skoda."

For Volvo, Saab, Honda and Renault that leather comes from Bridge of Weir Leather. The Renault contract is the company's most recent. Won last July and worth \$3m a year, it took four years to prise from a French competitor.

The decisive factor was Bridge of Weir Leather's quick response time, and the quality of its leather, says Mr Muirhead.

However, while the resurgence in leather car interiors has driven the company's export growth in recent years, profits have been more elusive.

In recent years, tanneries have had to invest heavily in cleaning up their effluent and

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Awards for technological achievement by Andrew Baxter

Healthy, ingenious - and British

As many as half of the winners this year are healthcare-related companies

The ingenuity of the UK's healthcare industry - in both research and development and commercial exploitation of new products and processes - is reflected in the 1996 awards for technological achievement.

Eight of the 16 awards this year are healthcare-related. The others range from a system to reduce aircraft cabin noise to a new method of panel printing for clothing.

Overall, the number of winners this year was down one from last year's 17, while the number of applications for awards rose by one to 254.

The winners in the healthcare sector range from diagnostics to drugs, radiotherapy and medical products, and from household name companies to corporate minnows. They include one of the two pairs of joint winners this year, Affinity Chromatography and Cambridge University's Institute of Biotechnology.

In diagnostics, the Witney-based Oxford Magnet Technology gets an award for developing a C-shaped magnet design

for magnetic resonance imaging. Using a combination of resistive magnet and "iron yoke" technology, the design allows access to the patient during the examination, which is not normally possible with non-superconducting systems. The new approach provides an efficient low-cost alternative to a superconducting magnet, around which most MRI systems are built.

Phillips Medical Systems, based at Crawley in West Sussex, gains its award for developing a multilens "collimator"

for medical radiotherapy treatment. This comprises a set of 80 parallel leaves that are fitted as an integral part of a linear accelerator, replacing the beam blocks previously used to shield healthy tissue from the rectangular beam. The leaves can be moved individually using computer-controlled motors.

The drugs that have won awards are Metastrom and Imigran, developed respectively by Amersham Healthcare, a unit of Buckinghamshire-based Amersham International, and

Glaxo Research and Development. Metastrom is a solution of Strontium-89 chloride used to ward off the pain from the secondary bone cancers (metastases) that can afflict sufferers of prostate and other cancers. A single injection of the solution provides pain relief for up to four to six months in the majority of patients treated.

Glaxo's Imigran, meanwhile, is for the treatment of migraines and cluster headache. According to Glaxo, clinical trials have shown that the drug

produces a more rapid and higher level of response than was achieved by previous treatments for migraines, and that any side-effects are mild and transient. Imigran can be taken orally or by injection and an auto injector has been developed to enable a patient to take prompt action during an attack.

In medical products, a third technology award in 20 years has gone to the products division of Basingstoke-based Chas. A. Blatchford and Sons, a world leader in the supply of lower artificial limbs. The award is for its Endolite Intelligent Prosthesis Plus system (IP+), which uses a microprocessor controller in the artificial limb to allow the transfemoral (above knee) amputee to experience natural walking over a wide range of speeds.

"For the first time, it allows a rapid programming of the prosthesis," says Saeed Zohedi, Blatchford's senior research engineer. After programming, the IP+ automatically provides five valve settings to cover the individual's range of walking speeds.

Smith & Nephew's group research centre, meanwhile, gains its award for developing an adhesive thin film to cover small wounds, particularly those associated with intravas-



Satisfied customer: Amersham's Metastrom has helped Scottish farmer Dick Webster get back to work. John Cole

cular catheters. A special polyurethane film controls moisture levels at the site of the wound, and eliminates the risk of contamination as bacteria cannot pass through it.

Wound care is also a market for Swindon-based SciMAT, which specialises in the modification of polymeric materials and the subsequent creation of products with new capabilities.

Its award, however, is for the development of improved membranes for the rechargeable battery industry. Basically, the SciMAT technology modifies the surface of polypropylene, increasingly being used as a separator in batteries, to make it permanently wettable. This allows it to absorb electrolyte without altering the basic properties that made the poly-

propylene suitable as a membrane in the first place.

Elsewhere, the second joint award this year goes to Marks & Spencer and Wakefield-based Wace Screen for developing the Distron process, a "dry" discharge method of garment panel printing. The process uses an ink that contains a chemical that bleaches out the ground colour to give a design, with very low reject rates compared with conventional discharge processes.

The other five award winners were: Bede Scientific Instruments, of Bowburn, Co Durham, for an X-ray characterisation system used for the development and quality control of advanced semiconductor devices; Hampshire-based Dig-

Media Vision (an export award winner too) for developing a system of compressing TV signals so that multiple programmes may be conveyed along a single channel, satellite or cable; Rover Group's electronics and control systems business for developing a modular range of electronic control units for the integrated control of engine fuelling, ignition and idle speed; the noise and vibration systems division of Greenford-based Ultra Electronics for its "anti-noise" system to reduce cabin noise in turbo-prop aircraft; and Poole-based Westwind Air Bearings for its aerodynamic spindles used in the rotary scanning industry. Applications range from mirror spinning to drum scanning, and from laser plotting to colour image setting.

The Queen's Awards for Technological Achievement

Company	Location	Product or development
Affinity Chromatography Amersham Healthcare (Amersham International)	Batfield, Isle of Man	Protein separation
Bede Scientific Instruments Chas. A. Blatchford & Sons, Products Division Dig-Media Vision Glaxo R&D Marks and Spencer Oxford Magnet Technology Phillips Medical Systems - Radiotherapy Rover Group, Electronics and Control Systems SciMat Group Research Centre, Smith & Nephew Ultra Electronics Noise and Vibration Systems Institute of Biology, University of Cambridge Wace Screen - Wakefield Westwind Bearings	Little Chalfont, Bucks Bowburn, Co. Durham Basingstoke, Hampshire Swindon, Wiltshire London W1 Eynsham, Oxon Crawley, West Sussex Coventry, Warwickshire Dorset, Wiltshire York, North Yorkshire Greenford, Middlesex Cambridge, Cambs Wakefield, West Yorks Holtan Heath, Dorset	Drug for the treatment of bone metastases Direct-drive x-ray diffractometer Computer control for lower limb prosthetics System for compressing television signals Drug treating migraine and cluster headache Garment panel printing Magnet design for Magnetic Resonance Imaging Multilens collimator for radiotherapy treatment Modular range of electronic control units Improved membranes for rechargeable batteries Adhesive thin film to cover small wounds Noise reducing system for turbo-prop aircraft Materials for separating protein pharmaceuticals Garment panel printing Aerodynamic spindles for optical scanning

PROFILE Cambridge University's Institute of Biotechnology and Affinity Chromatography: protein separation technology

Leading from behind the scenes

Biotechnology is often thought of as a glamorous sector, but behind the scenes a great deal of painstaking work has been going on for decades in some of the enabling technologies helping to bring new treatments to the market at a realistic price.

One neglected area is separation technology. At least half the manufacturing cost of the protein pharmaceuticals emerging from recombinant processes is incurred at the separation and purification stage, compared to less than 5 per cent for conventional drugs.

Cambridge University's Institute of Biotechnology and Isle of Man-based Affinity Chromatography have jointly

won technology awards for developing an innovative means of separating protein pharmaceuticals that replaces several stages of previous separation methods, cutting costs sharply.

Interest is growing rapidly in pharmaceutical proteins and market projections suggest their share of the total pharmaceutical market could rise sharply over the next decade. More than 50 have been approved or are awaiting approval, and at least 500 are in various stages of clinical trial. Worldwide sales figures of \$30bn or more are projected for early in the 21st century.

The problem is that recombinant technology produces a dilute and heavily contaminated stream from which the

required protein has to be extracted. "Your crude extract may contain 500 or 600 proteins," says Dr Chris Lowe, director of the Institute. To reach the required level of purity, and leave behind material that could harm the patient, a number of fractionations are necessary to search for the required protein by size or shape, by its charge (positive or negative) or by other differentiators. But, says Dr Lowe, "with each step, you lose yield."

What is needed, he says, is a process that can quickly "target and fish out" the right protein, providing optimum yield and purity at the lowest cost. This is where affinity chromatography technology comes in: it emulates a feature of nature in which each individual protein

is recognised by at least one other protein in an extremely precise measure.

An affinity separation system can thus be created if one element of a protein-protein pair can be discovered, as it can be used to separate the other. But finding the matching protein and producing it in industrial quantities is hard, severely limiting any commercial exploitation of the process.

Dr Lowe's early work in this field had been followed with interest by Dr Ken Jones, a chromatographic entrepreneur, and in 1984 the two men met. By 1986, it was agreed that a basis for a technology transfer had been developed, and Affinity Chromatography was formed, with Dr Jones as chief executive and Dr Lowe as a director. Since then, the company and the institute have worked together to develop affinity chromatography into a commercial product.

Even with a detailed business plan and

an experienced entrepreneur at the helm, the company had to rely on directors' financial resources - venture capitalists could not wait the expected 10 years or more before they would get any money back via acquisition or public flotation.

The company's earliest products were molecules related to textile dyes, which were once thought - wrongly as it emerged - to be the breakthrough that would revolutionise the protein separations market.

But, helped by making early use of 3-D computer-assisted molecular modelling, the institute and the company have now developed new structures to emulate the protein-protein interactions occurring in nature. They claim to lead the world in designing "ligands", the molecules which interact selectively with the target proteins, while the company has a unique manufacturing plant in the Isle of Man producing the material.

Working together, the institute and the company design a complete separation system for each client's targeted protein, scale it up, and help clients with regulatory approval. After all that, there is continuing work for the Isle of Man company producing the material.

Already, products have been sold in 29 countries, and exports have averaged 70 per cent of the total since sales began in 1990.

The company does not disclose sales, but the world market for affinity media is about £100m a year and likely to grow fast.

With its technology lead, based on the ability to provide high-purity one-stage separations for all proteins, Affinity Chromatography hopes to capture an increasing share as the market expands.

Andrew Baxter

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THE QUEEN'S AWARDS FOR INDUSTRY 1996

Awards for environmental achievement by Leyla Boulton

UK among top six in world

Britain scores high on technological achievement - yet is near the bottom of the sales league

The Queen has this week rewarded environmental achievements ranging from treatment of smelly sewage to an environmentally-friendly washing machine. The other four winners in the environmental category are: energy-efficient electric motors, a low noise gear pump for forklift trucks, a fuel injection system for diesel engines and burners to reduce oxides of nitrogen emitted by power plants.

Environmentally-friendly technology is far from glamorous. But it is often touted as one of the great growth industries of the future, as environmental regulations tighten up and conservation of natural resources is seen as more important.

The awards for environmental achievement can be viewed against a backdrop of three separate developments. The first is a growing perception of the environment as a meaningful business opportunity on a worldwide scale, driven by environmental regulation.

Only last week, the Environmental Industries Commission, a lobby group, reiterated its demand that the government should do more to help British companies win business, it used Britain's main show for

environmental management and equipment in Birmingham as the platform for its calls for tighter environmental regulation and more export assistance to compete with US, German and Japanese competitors.

Although none of the award winners had a stand at the Birmingham show, the importance of regulation was recognised by George Frankl, chief engineer at Lucas Diesel Systems, when he said that market penetration of its Electronic Unit Injector (EUI) system, could "only increase as emissions legislation tightens".

The company's new approach to fuel injection equipment design had been spurred in the early 1990s by the need to meet emission limits anticipated at the time.

The EUI, which can adjust the timing and quantity of fuel for each successive firing stroke, achieves a reduction in all diesel exhaust emissions, particularly NOx and particulates. The latter are likely to be the subject of new regulations in the future. In the past, how-

ever, the environmental benefits of such technological advances have been eaten up by increased traffic volumes and fuel consumption.

Even the EIC lobby group recognises that Britain, although close to the bottom of the total sales league table, is among the top six innovators in the world market for environmental technology.

Half the companies rewarded by the Queen for environmental performance this week have already won her award for export achievement.

Among them is International Combustion, the Rolls-Royce subsidiary which is being rewarded for its range of EnviroNOX burners designed to cut emissions of NOx and other pollutants from power stations. The company's most important market is the US, in part because of its stringent emission controls under the Clean Air Act.

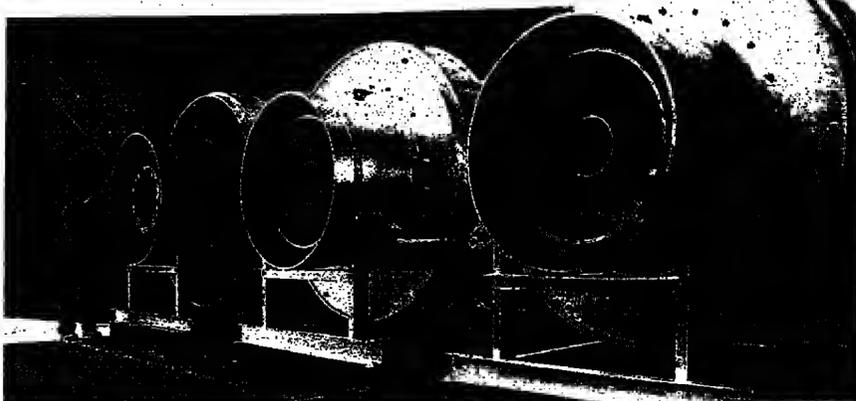
Ultra Hydraulics, which last year won an export award, this year collects an environmental prize for low-noise "Stealth"

pumps. These pump oil around the hydraulic circuits of machines such as forklift trucks and earthmoving equipment and 70 per cent of sales are exported.

Another claim by EIC was that British companies got less support for research in environmental products than some of their foreign rivals. But Brook Hansen, the subsidiary of the BTR engineering group, said it had benefited from heavy investment from its parent company in developing a new range of electric motors, dubbed "W". These had a significantly higher energy efficiency than existing induction motors and would ensure a "market transformation in industrial drives".

The new range was the product of a four-year £12m research project involving not just Brook Hansen, but also Cambridge and Sheffield universities, and backing from the government's Energy Efficiency Office.

The second development was a report earlier this year by the



International Combustion, the Rolls-Royce subsidiary, is being rewarded for its range of EnviroNOX burners

National Consumer Council which found that many of the environmentally-friendly claims made by so-called green products are at best irrelevant and at worst misleading.

But although none of the six companies which won awards are mentioned in the NCC report, they are inevitably connected to the issues it raised.

The only product in this year's awards that fits directly into the consumer category addressed by the NCC report is Hoover's range of Soft and New Wave washing machines. The manufacturer claims that its machines not only save on energy bills, water consumption, and detergent loss, but also have a relatively "green" product life-cycle - as indicated by the award for environmental performance.

As the company admits, however, previous inflated claims for green products make it likely that customers will be reluctant to accept as a reason for purchasing that the product delivers a cleaner, faster wash than leading competitive products.

Green products, unless mandated by law, must therefore either compete on price and quality or prove to their customers - other businesses in the case of most of the Queen's awards - that they can make money for them further down the line.

Another development which could affect the environmental awards themselves was a call last week by Britain's Institution of Civil Engineers. It said that the Queen's Award for Environmental Achievement

should be expanded to include a special section for the provision of sustainable infrastructure.

Sustainable development, balancing economic growth with long-term global environmental considerations, is the ultimate challenge facing all technology that aspires to be friendlier to the environment.

A small group of big companies, including Norsk Hydro, whose parent of Hydro Chemicals, whose Hydrocare effluent treatment division won an environmental award for its system to make sewage smell less offensive, have aggressively sought to anticipate opportunities in the environmental field.

With water an increasingly sensitive issue since last summer's shortages in parts of

Britain, the performance of water companies and the technology they use is coming under closer scrutiny. Hydrocare's Nutriox system, developed over the past five years, has already been embraced by Anglian Water and Yorkshire Water.

According to Hydrocare, the system has brought "welcome relief to thousands of people who, because of sewage smells, have previously had to endure hot summer days sweltering indoors".

This was unable to save Yorkshire Water from public opprobrium last summer over its water supplies, but such technologies are likely to become increasingly important in future as water use moves up the environmental and industrial agenda.

The Queen's Awards for Environmental Achievement

Company	Location	Product or development
Brook Hansen	Huddersfield, West Yorkshire	Electric motors
Hoover	Merthyr Tydfil, Mid Glamorgan	Washing machines
Hydro Chemicals (Hydrocare)	Birmingham, South Humberside	Liquid effluent treatment
International Combustion	Derby, Derbyshire	Burners for power stations
Lucas Diesel Systems	London W3	Electronic unit injector systems
Ultra Hydraulics (Mobile Products Division)	Cheltenham, Gloucestershire	External gear pumps

PROFILE Emafyl: plastic picture frame moulding manufacturers

Breaking the moulding

As general manager of Emafyl, a plastic picture frame moulding manufacturer which has just won a Queen's Award for Export Achievement, Arnie Kessel says he works "non-stop".

From four workers and 11,000 sq ft of factory space nine years ago, the company now employs nearly 500 people in a 300,000 sq ft factory. Pre-tax profits were £6m last year on sales of £22.5m, up from £3.3m on sales of £14m the year before.

Of last year's sales 75 per cent were exported. The US is the east London-based

company's largest market - representing almost 85 per cent of the company's exports - but the polystyrene framing material is also sold in the rest of Europe, Australia, Japan, Korea, Taiwan, India, Russia, and South Africa.

The company was the brainchild of Howard Simon, director of Simon and Sons, which makes and distributes wood mouldings and to which Emafyl, owned by the same family board members, is affiliated.

After many years of experience at the

96-year-old family-owned company, Mr Simon saw an opportunity for a flexible moulding material which could be made to look like wood, but at less than half the price.

A vast range of finishes can be used to emboss emafyl, paint, fill and line it, and make it look like marble, granite or an antique.

Emafyl now has 50 of the specially adapted extrusion machines which make 4m ft of the moulding material a week. A total of 7,000 designs are made, which are

then sold on to picture frame manufacturers.

In the US, this is then sold on to retailers such as K-Mart and American Greetings Cards. Among the most popular designs are the "pasta mouldings" which contain a range of ornate embellishments similar to traditional Italian designs.

The inventory nature of the product and the special machines used are behind the company's profitability, says Mr Kessel.

"The technical side is the story of our success," he says.

The company also aims to be environmentally friendly. In addition to recycling waste from the process, Mr

Kessel says: "For every 4m ft we manufacture, 700 ft of wood is saved."

The price of the product, as well as being its advantage, has led to complications. Emafyl was the subject of an anti-dumping suit in the US last year. Marley of Marion, Virginia, a US-based company owned by Marley of the UK, accused Emafyl of selling its products at unfair prices, lower than UK ones. A preliminary ruling by the US International Trade Commission last year found Marley had shown "a reasonable indication that an industry in the US is threatened with material injury by reason of imports from the UK".

Mr Kessel, who described Marley as Goliath to Emafyl's David, says that, after

giving evidence, the company is waiting for a verdict, not expected until later this year. "We think we have proven the case," he says.

In spite of this, the company's programme of re-investment will continue, Mr Kessel says. The factory is currently operating 24 hours a day, six days a week.

With a full order book the company expects turnover to increase almost 25 per cent this year, a rise which will cover more than 50 per cent of the world market, it says, with India and Japan the fastest growing markets this year.

Jane Martinson



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صكيات الامم

Dr K's riddle still awaits an answer

Herry Kissinger once asked: "Whom do I call to get Europe on the line?" Twenty years later, Dr K is still waiting for an answer.

Mr Europe does not exist. Jacques Delors came close, but he left Brussels 15 months ago. Jacques Santer, his successor as president of the European Commission, keeps his head down. Chancellor Helmut Kohl can call Bill in Washington or Boris in Moscow, but he knows there are limits to German leadership in Europe.

However, President Jacques Chirac of France thinks he has a solution to the EU's missing voice. He is pushing for a new high-profile appointee to speak for the 15 member states, claiming that a Mr or Madame X would have a shot in the arm to the EU's embryonic common foreign and security policy.

Chirac has tabled the idea at the EU's inter-governmental conference now underway to review the Maastricht treaty, although many people

Santer included, suspect Chirac is playing a double game.

Chirac's job proposal looks at first like a device to reward Valéry Giscard d'Estaing, his coalition ally in France's 1995 presidential elections. Giscard covets a big job, having stepped down as leader of the liberal UDF party this year.

Sending a power-hungry former French president to Brussels would be like letting an elephant loose in a circus. Smaller countries, which see the Commission as their guardian, are manning the barricades.

However, Chirac's proposal can be dressed up as principle: the EU needs a figure to represent its collective interests independent of the European Commission. That person should be the servant of the Council of Ministers, the decision-making body composed of cabinet ministers

DATELINE

Brussels: Herry Kissinger discovered that Mr Europe does not exist, but perhaps his creation is now overdue, writes Lionel Barber

from the member states.

Chirac is whistling the old Gaullist tune that the Council is the seat of legitimacy and not the supranational Commission, whose responsi-

bilities in external affairs expanded under Delors's leadership between 1985 and 1995, particularly in the management of aid to central and eastern Europe and the former Soviet Union.

Chirac and Alain Juppé, his prime minister, also watched the Commission - under the guidance of the UK's Sir Leon Brittan - negotiate a Gatt world trade agreement, which necessarily ignored some of Paris's more extreme demands. Their conclusion: it is time to put the Commission back on a leash.

The British, desperately seeking allies in the IGC negotiations, are playing along. In London the foreign office has no intention of allowing the French a free hand on trade policy, but the idea of appointing a Mr X as a foreign policy front-man fits broader British plans to

strengthen the Council at the expense of the Commission.

The UK acted two years ago with the dispatch of Brian Crowe, a senior career diplomat, to co-ordinate foreign policy inside the Council's secretariat. He reports to Jürgen Schneiderhan, the mild-mannered ex-German ambassador in Brussels who is secretary-general.

The Trumpf-Crowe axis ought to be a strong combination, but it is struggling. It lacks high-grade manpower, and it faces resistance from the Commission in the shape of Günter Burghardt, an ex-Delors foreign policy aide.

Burghardt is a Commission activist par excellence. Unlike Britain's chancellor of the exchequer, Kenneth Clarke, Burghardt has read the Maastricht treaty - several times. He knows how to use law and prece-

dent to grind down opposition. And he has seen off most challengers to his empire and to his boss, Commissioner Hans van den Broek, the former Dutch foreign minister.

The cost of the turf battle has been steep: the failure of the Commission to exercise fully its right of initiative in external political relations, and the proliferation of foreign policy power centres, with the Council secretariat starting to build a parallel network, first in New York, now in Geneva.

In an ideal world, the solution to the EU's identity crisis to foreign policy would be to adopt a bureaucratic model on Washington lines. The Commission, with its ready-made expertise, could evolve into an executive body like the US state department. The Council secretariat could function like the

National Security Council staff at the White House. Yet nobody in Europe is ready to import a federalist model from the US. Hence the latest twist in the story: a proposal to create a new planning and analysis unit in Brussels which could act as a motor in foreign policy, anticipating crises such as the conflict in former Yugoslavia and preparing common positions to nurture a European foreign policy "culture".

High ideals come down to the prosaic question of where to locate the new unit. Burghardt says it belongs to van den Broek. Trumpf, who is running hard himself to be Mr X, wants first right of refusal.

The outcome of this power struggle between the Council and Commission will provide a useful guide to the ideological battles at the IGC. But it will not settle the other question on Dr Kissinger's mind: remembering France's solo diplomacy in the Middle East this week, will there ever be a European foreign policy?

Milanese scion to pilot Pirelli

Provera is the first non-family chairman, writes Andrew Hill

Marco Tronchetti Provera is possibly the most anti-establishment member of Italy's business establishment.

Scion of a noted Milanese industrial family, he has been chief executive of Pirelli, the tyre and cables group which is one of Italy's largest and oldest industrial companies, since 1992, when his attempted bid for German tyre maker Continental went wrong. Last Friday he was named to succeed the 70-year-old Leopoldo Pirelli as chairman.

Yet he is also one of the most outspoken critics of the machinations of Italian politicians and of the sprawling Italian public sector, which he views as the biggest hindrance to Italy's economic drive. Speaking before yesterday's elections, he said he was still afraid that Italy's sluggish progress towards a liberalised market could be reversed. "I see nobody prepared to define a different role for politics in this country," he said. "Politics here still has great economic weight, but its management [of the public sector] has failed."

Four or five years ago, critics might have levelled the same accusation at Pirelli itself. The group's ill-fated bid for Continental plunged it into the red. About half of its 14,670m (€290m) loss for 1991 was blamed on the cost of the unsuccessful offer. The way in which Pirelli had mounted its bid - through alliances based on secret financial guarantees - was widely believed to be one of the reasons for its failure. The crisis left Tronchetti Provera, promoted from managing director chief executive in place of Leopoldo Pirelli, to pick up the pieces.

The fact that Tronchetti Provera, 48, is to become the first non-Pirelli to chair the group is confirmation of his success. The company has been restructured to concentrate on the core businesses, now run as autonomous subsidiaries.

Pirelli still produces a full range

of tyres, but the mix has been adjusted to favour high-performance, high-margin products. In cables, the group is doing pioneering work in the development of photonics - the high-speed transmission of information as pulses of laser light using optical fibre and other components - and superconducting power cables.

Tronchetti Provera believes Pirelli can do even better, but some financial benefits are already clear. Apart from the change of guard at the top, Friday's other novelty was the announcement of Pirelli's first dividend payment for four years. As it happens, a small but substantial chunk of the payout will go to reward Tronchetti Provera himself, as his family company already controls, indirectly, more of Pirelli than the Pirellis.

This makes him appear another archetypal Italian entrepreneur, arrogating power as chairman, chief executive and main shareholder. He may not have been born a Pirelli, but he married Leopoldo's daughter (they have since separated). He is even a keen yachtsman, which puts him metaphorically in the same boat as tycoons such as Gianni Agnelli of Fiat and Carlo De Benedetti of Olivetti.

Tronchetti Provera paints a different picture, of a man who reached the top job because he was the most suitable candidate. "At the time of the Comit crisis, I knew the group, and I had the experience to resolve one problem," he says simply. He knows how to delegate the tyre and cable businesses are in the hands of two managing directors, while progress across the world is supervised through a new video-conferencing network.

As for the useful family connections, Tronchetti Provera prefers to highlight a personal affinity with Leopoldo Pirelli. "Family links can be an advantage, and in certain other areas a handicap. In this case, the personal links have been of ben-



Attacking the dominance of Italy's public sector, Tronchetti Provera

Amelio goes to the root of Apple's problems

Just 10 weeks after he stepped up to the task of rescuing Apple Computer, Gil Amelio, formerly chief executive of National Semiconductor and a member of Apple's board, has started to formulate a recovery plan for the ailing personal computer manufacturer, reports Louise Kehoe in San Francisco.

Last week, in conference calls with Wall Street analysts and the press, and in an address to company employees broadcast to the company's sites worldwide, the new Apple chairman and chief executive began with a frank assessment of Apple's predicament.

"Boy, we sure got ourselves in a fix," he said to employees. Apple reported losses of \$740m for the quarter ended March 29, including a \$285m write-off of excess inventories as well as restructuring charges. Sales, at \$2.2bn, were down 18 per cent from the same period last year.

The first order of business, Amelio stated, will be to cut costs. Apple is selling a large production plant, employing 1,100 people in Colorado and will lay off an additional 2,500 workers over the next 12 months. He is also moving quickly to shore up Apple's dwindling liquidity by arranging short-term loans and seeking additional financing.

The more taxing question for Amelio, however, is how to restore Apple's reputation for leading-edge technology and its sales growth. Realistically, perhaps, Amelio promised when he arrived at Apple to present his strategy for the company's "transformation" within 100 days. He is now planning an address

early next month at a previously scheduled Apple event in California for software developers. His presentation will also be closely watched by Apple investors, employees and customers. Industry analysts say it could be a "make or break event" for Apple and for Amelio.

Following in the footsteps of John Sculley, the former PepsiCo executive who became known as a technology visionary when he served as Apple's leader, and Michael Spindler, a no-nonsense manager who is now taking the blame for Apple's problems, Amelio aims to strike a balance, style-wise, between "make or break" for Apple and for Amelio.

"A successful manager in today's high technology business has to be capable of articulating a vision for his company as well as being a strong implementer. If you have one without the other you are not successful," he said.

San Miguel chief shows his bottle

As a fifth-generation scion of a corporate dynasty, Andres Soriano III, chairman of the Philippines' San Miguel, ought to be a playboy tycoon by now, writes Edward Luce in Manila. However, events at last week's annual meeting in Manila, at which the brewery and consumer goods giant warned of a flat profits outlook suggest that Soriano isn't like that at all.

Educated at prep and public school in Sussex, England, and at the Wharton school of finance in the US, the Spanish-speaking chairman of San Miguel responded to the drama with Anglo-Saxon stoicism. Indeed, with a whitened-down 2 per cent family holding in the country's oldest blue chip enterprise, Soriano, 45, could argue that he owes his chairmanship to merit rather than inheritance. Looking beyond the stock market flurry, the sober-suited Soriano said that the company's \$1.5bn overseas expansion, encompassing breweries in Vietnam, China, India and Indonesia, would reap medium-term dividends but had pushed up short-term borrowing costs.

Hamstrung by a share dispute with Eduardo Conjuangco, the former chairman of San Miguel who fled the country in 1986, San Miguel's chairman observed that the company was unable to tap the equity markets pending legal

resolution of the dispute. Conjuangco, who is thought unlikely to win the protracted argument, claims about 50 per cent of the shares. San Miguel, Soriano continued, was also disadvantaged by the fact that its main competitor, Asia Brewery, was underpricing its products by using tax loopholes. In short, what San Miguel needed was a level playing field, said Soriano.

B Elliott has just the job for Clubb

Ian Clubb, who continues collecting top jobs, becomes non-executive chairman of B Elliott, the diversified UK engineering group, in July, *Simon Kuper reports in London.*

Clubb will continue as chairman of Central Transport Rental (CTR), the debt-laden trailer rental group formerly called Tipbook, and as non-executive director of a clutch of companies. He joined the B Elliott board a year ago, after naming Michael Frye, its chief executive, on the board of TLG, formerly Thorn Lighting Group, where they are both non-executives.

Clubb impressed Frye with his financial background - a chartered accountant, he was finance director of BOC, the industrial gases company - and his far east expertise. B Elliott plans to set up more joint ventures in the region, and is likely to open an office in Malaysia soon.

Frye says the amount of time per day the new non-executive chairman gives B Elliott has yet to be decided. "He'll give what's needed," says Frye. Clubb succeeds Gerald Dennis, who is leaving the company for personal reasons.

Clubb's past includes spells as deputy managing director of Rupert Murdoch's British Sky Broadcasting, and as managing director of Carless, the oil independent.

When he took over troubled CTR he said he wanted it to be seen "as often as a lizard drinking water", and to become "the most boring office in the country to work in".

Robert Montague, the former chief executive, has since been declared bankrupt, but CTR has yet to become boring. Clubb is trying to arrange a debt restructuring, and the company reported increased interim pre-tax losses of £12.8m (£7.2m) for the six months to October 31.



Stephanie Flanders · Economics Notebook

Talkin' bout a revolution

After years of downsizing and stagnant wages, will US workers take revenge?

"Make no mistake, Wall Street and Main Street have been on very different paths over the past 13 years. Temporary divergences can be expected from time to time... (but) ultimately, the two paths must reach the same destination. That's what worker backlash is all about."

These may sound like the words of a worker activist, or, perhaps, the born-again populist Patrick Buchanan, but in fact they are drawn from a recent investor update by Stephen Roach, the respected economist at Morgan Stanley in New York. For some time now, Roach has been urging his clients to adopt "the backlash play", a strategy which assumes that the bull run of the 1980s and early 1990s can only go so far, before workers start to demand a piece of the action.

He is not alone. David Hale, senior economist for Zurich Kemper Investments in Chicago, has recently woken up to the same possibility. In his view, the high protest vote for Buchanan in the early Republican primaries raised the question of whether "American industry's unfolding victory in global markets will be offset by a defeat for the hearts and minds of the American people."

It would be easy to dismiss such claims as scare-mongering. But it is unarguable that the boom in US productivity and profits in recent years has been financed, in large part, by the US workforce. The question is whether this pattern is likely to be reversed in the near future, either by workers themselves or the politicians they elect to represent them.

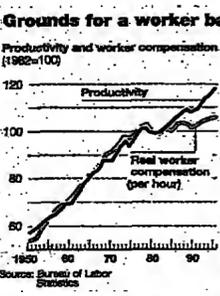
Roach's argument goes something like this: The restructuring of

the US corporation from the mid-1980s onwards has achieved a remarkable turnaround in US competitiveness. Productivity growth has picked up after years of poor performance, labour costs and inflationary pressure have shrunk dramatically, and corporate profitability has surged. But the miracle has a dark side, namely mass layoffs and, most striking, a breaking of the age-old link between labour productivity growth, on the one hand, and real compensation (including benefits) on the other.

Economists always point to the latter relationship when responding to complaints about the slow-to-non-existent growth in the real incomes of most US households during the past 20 years. Stagnant real wages, they argue, are the price the country pays for anemic productivity growth. Get productivity moving again and, sooner or later, living standards will follow.

It has certainly not been "sooner". As Roach notes, productivity in the US nonfarm business sector grew by 2 per cent per year, on average, in the first half of the 1990s, but real compensation per employee has grown by a mere 0.6 per cent per year.

As the graph shows, the gap between the two has shown up in a change in the distribution of national income. The share attributable to employee compensation was 72.6 per cent in 1986, nearly 1½ percentage points lower than in 1982, and nearly 3 percentage points down on 1982. Meanwhile, investment-related income (including profits and rents) accounted for 18.4 per cent of national income last year. That was 2½ percentage points higher than three years earlier and 8½ percentage points up on



the dark days of the 1980s recession.

Roach believes that the first-round of productivity gains from corporate restructuring had to be distributed to the owners of capital, rather than workers, so that companies could invest in the machinery and equipment needed to sustain higher worker productivity over the long haul.

The US corporate sector has been on an investment spree in recent years. Non-residential investment grew by 21 per cent in real terms during the first half of the 1990s, against a rise of only 3 per cent in the previous five years. Yet, as the quotation indicates, Roach doubts that these halcyon days for US corporations can continue.

The basic principles of economic theory - not to mention the social and political well-being of the country - demand that the improvement in company balance sheets begin, finally, to show up in the bank accounts of the average work-

ing family. But how might such a reversal take place?

There are various possible routes out of the problem, though none sounds overly plausible. The first would be for restructured companies to choose to give workers a larger stake in their success, either through boosting real wages and employment or, as Hale proposes, sharing their profits with employees more directly, through formal profit-sharing or by encouraging more of them to participate in employee stock ownership plans (Esops) and the like. As he points out, the highly unequal distribution of equities in the US is one important reason for the divergence between Wall Street and Main Street. Only 13 per cent of US workers belong to profit sharing plans and just 3 per cent belong to Esops.

You need not have a very low opinion of US companies to wonder whether many would adopt these solutions of their own accord.

Roach cites the case of Boeing, which recently struck a relatively generous wage settlement with striking machinists, and announced that it would start hiring again, with planned growth in payrolls of 7,000-10,000 during the next few years. But, with little more than 10 per cent of the private sector workforce unionised, relatively few workers are in a position to force their employers' hands.

In the two economists' view, if companies do not choose to share more of the gains of restructuring with workers, the latter will press for other, less benign, solutions in the upcoming general elections. The doomsday scenario would be for government to respond to voters' discontent with onerous new regulations on business, increased protectionism, and - putting the quest for budget balance to one side - a good old-fashioned dose of fiscal and monetary expansion.

Now this does sound like scare-mongering. True, even Congressional Republicans are beginning to talk about increasing the federal minimum wage. But neither President Bill Clinton nor his opponent Senator Bob Dole seems willing to go far beyond this in terms of proposing specific measures to boost the average worker's pay packet.

In the end, bringing Wall Street and Main Street back into line will involve both companies starting to invest more in their in-house human capital and government acting to improve the skills and education of the nation as a whole. Companies have little to fear in such an outcome. But, on present reckoning, they will be travelling on a different path to workers for a while yet.

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CONGRATULATIONS

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BUSINESS EDUCATION

Della Bradshaw visits a European institution which is re-defining its role

Search for a silver lining

Smile - it makes sense

Management education is not just about reading a balance sheet or mastering the computer system - communicating with employees and the outside world is a hefty part of the job.

In recognition of this many managers are now being trained to talk to their employees more effectively. Many hope to win extra business through better communications with clients.

The golden rules, says Cristina Stuart, managing director of SpeakEasy, which trains managers to improve their communication skills, are:

- Look at people - do not depend on notes;
- Pause more often;
- Always stand if you can;
- Avoid fiddling - it betrays nervousness;
- Simplify what you have to say, using anecdotes rather than figures.

Above all, she says, smile and look friendly - most prospective clients want to do business with people they like. "The more senior the manager, the more concerned they are about coming across as flippant and not being taken seriously," she adds.

DB

What do you do if you are a business school director and want to employ an extra professor but do not have enough cash in the bank? The answer could be to advertise on an academic network to find another business school which is happy to make a joint appointment, splitting the cost.

Bringing such people together is one of the roles of the European Institute for Advanced Studies in Management (EIASM) in Brussels, which is celebrating its 25th anniversary this year. Elsewhere it educates doctoral students and organises seminars.

"I would describe the institute as a network," says Gerry Van Dyck, EIASM's recently appointed director. EIASM started life as an Anglo-American initiative, intended to spearhead American-style business education techniques in Europe. The optimism of 25 years ago was bolstered by funding from European governments. The last government cash evaporated last year and a hard-headed financial reality has now replaced the blue skies approach to management research of the 1970s.

Van Dyck, the only full-time director of EIASM since the first incumbent in the job two decades ago, sees her role as masterminding the transition of the institute from a purely academic to a truly commercial organisation. "The task for the future is to translate academic research for businesses and get more input from business communities to target research. As resources are get-

ting more scarce research has to fulfil several functions," she says.

Her aim over the past year has been to persuade business schools to commit themselves as institutional members of the organisation and to back their commitment with cash. So far, 52 have responded to her call but she is still

looking for more. "I want the institute to grow in a controlled way. I want 100 members that are right. As if they are not right I prefer 75 that are right."

As well as acting as an information source, the institute runs small-scale meetings - between 25 and 30 a year - on specific topics, accounting research,

or production control. It also organises conferences and newsletters for outside organisations.

But by far its most innovative programme gives doctoral research students the chance to work with those studying for doctorates in management at other European universities.

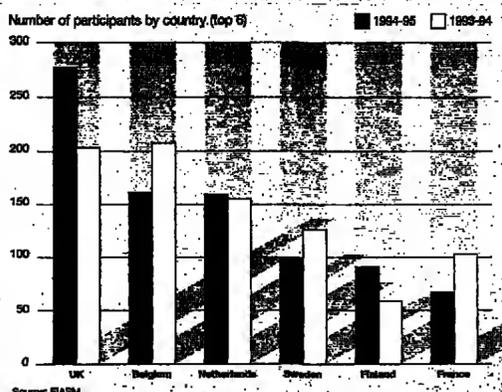
The impetus behind Eden (EIASM's doctoral education network) was that doctoral study is a lonely business, with only a handful of students in each school. "But if we can get 20 together - two from London Business School, two from Insead, and so on - we can provide them with very intensive one-week seminars," explains Van Dyck.

Eden comprises five one-week sessions over a two-year period. Each is taught by an acclaimed academic who waives traditional fees. "The strange thing is that these are people who can get tremendously high consultancy fees," points out Van Dyck. "The only way I can explain it is that working with doctoral students has a pay-off other than money."

Van Dyck intends to extend Eden into further disciplines - at the moment it covers only finance, accounting and marketing.

A third target is to expand the institute's influence into eastern Europe. "Twenty-five years ago there was a perceived need to improve links between the US and Europe. Now there is a perceived need to extend our network between western Europe and eastern Europe," she says.

Participation in EIASM activities



Source: EIASM

NEWS FROM CAMPUS

Tartan power takes on American advice

The Wharton School is running a business leadership programme with Scottish Power which comprises three dimensions - personal development, group learning, and the transfer of learning to a business as a whole. The process takes 16 months including participation in an external course at one of four schools - Wharton, Kellogg, London Business School or Insead. Using more than one school is expected to provide a contrast in approaches and viewpoints for those involved.

Wharton: US, 215 888 6000.

Senior management experience and a knowledge of healthcare

The UK operation of oil company Texaco has become the latest business school to sign a partnership with a business school to provide training for staff.

City University's business school, in the heart of London, has been working with Texaco for almost a year to develop the range of programmes ranging from a single day course to a masters degree.

City University: UK, (0)171 477 8000.

Combined master is fruit of kiwi initiative

New Zealand students should soon be able to study a combined masters degree in business administration and public health.

The degree is being planned at the University of Otago, in Dunedin, and should be in place by 1997. The qualification is part of a worldwide acknowledgement that the healthcare sector needs top management, and will provide a combination of

How to develop a personal career path

Many managers are now focusing on the concept of personal development. In the light of this Ashridge Management College is holding two free briefings on the subject tomorrow in Manchester and on Wednesday in West Bromwich.

Ashridge: UK, (0)1277 850761.

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BUSINESS TRAVEL

Travel News - Roger Bray

Jerusalem hotel delay

Tension following the Hamas bombings and heightened by Israel's attacks on Lebanon have delayed the go-ahead for two new Jerusalem hotels, planned by the Spanish chain Grupo Meliá Sol.

airline to dispense with tickets in favour of storing passenger details electronically. So far the system is available only to passengers booking domestic flights in the US direct, but the system will also cover bookings with USAir Express, a group of regional and commuter carriers which feed traffic into the airline's main hubs.

the system to cover international services. Under the system, customers are given an identification number when they make their reservations.

Stubbed out

Smokers are increasingly being treated as pariahs by airlines. Finnair has just imposed a ban on most European flights, and expects to extend it worldwide by the end of next year, while American Airlines will forbid smoking on all its 238 trans-Atlantic flights from

June 1, and on services between the US and Caribbean.

The growing threat of lawsuits is also persuading carriers that clean air is the way to go. Passengers irritated by smoke in the cabin have already taken legal action against at least one US airline, and cabin staff have launched a class action claiming long-term health damage.

Virtual information

Travellers to the UK can now use the Internet to find a hotel close to the business they are visiting which most meets their needs. And if they have a predilection for Italian or

Chinese food, say, they can pre-determine where they would like to eat.

A new service called Internet (Internet.com) allows them to browse on travel destinations and initiate a search within a given distance. They key in the standard of accommodation they want, and concentrate the choice on hotels offering conference facilities, for example, or those with swimming pools and exercise rooms, and the computer offers a list of suitable options.

One weakness is that, so far, the programme shows only hotels which meet the criteria. So if nothing comes up to scratch you have to retrace

your steps and adjust your requirements. But, Internet-based Internet plans to sharpen it so that it displays a list of those hotels which come closest.

Frequent shoppers

KLM, the Dutch airline, has started awarding frequent flyer miles to duty and tax-free shoppers at Amsterdam's Schiphol airport. Passengers get six points for every 20 guilders they spend. You need 10,000 points to qualify for an economy-class return ticket between London and Amsterdam, for example - which works out at 830 litre bottles of whisky.

Table with 4 columns: City, Mon, Tue, Wed, Thu. Rows include Tokyo, Hong Kong, London, Frankfurt, New York, L. Angeles, Milan, Paris, Zurich.

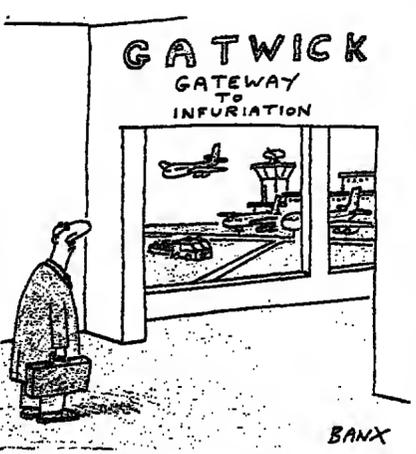
BEIRUT DAMASCUS logo with phone number 0345 320100

Michael Holman commiserates with Tubby Fanshawe over flight changes to Africa

Driven to desperate measures

Tosh," said Tubby Fanshawe. "Utter tosh. 'Gatwick - gateway to Africa'." he read out. "Not so much a gateway as a bloody cul de sac, if you ask me. And what gets my goat is that British Airways think they can get away with treating us like idiots."

"Are you quite sure, Tubby?" Tubby retrieved the letter and did his best to smooth out the creases. "See for yourself," he said angrily. He was absolutely right. From March 18, travellers heading for Lilongwe, Harare, Entebbe, Lusaka, Kano, Nairobi or Dar es Salaam will depart from Gatwick. I read. Yours sincerely, Carol Mickleburgh, Manager, Executive Club.



way of bringing Africa a little nearer." If Gatwick is so wonderful, so convenient, why don't they fly to Johannesburg from Gatwick? But oh no, it's still Heathrow," Tubby fumed. "Why do you think that is?" I asked him, knowing that he was going to tell me anyway. "Because competition on the Johannesburg route is pretty stiff, that's why. South African Airways is the only African airline that can give BA a run for its money - at least till recently. 'Choose Gatwick'... BA is treating Africa passengers as second-class citizens. We have no choice. It's like it or lump it."

Life on the wing Roger Bray finds some surprising national traits in travellers

When it investigated the issue last year for travel agency chain Carlson Wagonlit, Mori, the polling organisation, found that 67 per cent felt rewards such as Air Miles ought to be corporate property. This year the figure has dropped to 56 per cent. At the same time, more business travellers are cashing in their points, with 47 per cent admitting they had taken advantage. The OAG survey says 75 per cent cash them in, but finds that priority on waitlists is seen as a more important frequent-flyer bonus than free tickets or gifts.

Even if the temptation of a free city break in Paris or a couple of nights at a beach resort does not tax employees' consciences, it is clearly exerting strain on their relationships with travel managers. One in five now concedes that efforts to pile up the points creates a conflict with company travel policy, compared with only one in 10 last year. And about 14 per cent of those making bookings say they have been asked to break policy to help travellers bump up the perks.

CATHAY PACIFIC advertisement featuring a panda and text: 'OUR BUSINESS CLASS IS NOW JUST A LITTLE MORE PERSONAL'. Includes Swire Group logo and a large number 5.

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Madison Ave ad agencies eye modem era

Net advertising recalls the dawn of TV, writes Victoria Griffith

In the late 1950s, in the US, an exciting but frightening new media form shook Madison Avenue's big advertising agencies: television. Advertising agencies scrambled to form new "television" departments, and struggled with new advertising concepts. Today those agencies - or their descendants - are forming "interactive" departments to grapple with new media and are studying the early days of television for inspiration.

"We've taken a look at the experience of TV to try to get an idea of what might happen with the new digital media," says Norman Lehoullier, head of agency Grey Interactive. "We're facing the same excitement - and some of the same demons, too."

Television three decades ago offered fabulous new marketing opportunities. Suddenly, product demonstrations, which had been restricted to small gatherings, could be conducted in front of millions simultaneously.

Yet television was perplexing as well. Programming was scant and often ill-made, and advertisers had no way of knowing how many people they were reaching. However, with the help of ratings from Nielsen, the market research company, and shows like *I Love Lucy*, these challenges were soon resolved.

Advertising agencies now hope their experience with the Internet will follow a similarly happy course. Advertisers on the Internet are facing a content vacuum. Cyberspace is information-heavy in some areas, such as sports, but light in others, like fashion. "Where do we place the ads for women's products?" asks Norman Lehoullier. "In the 1950s, advertisers worked closely with the content providers to come up with the right vehicles [programmes]. On the Internet, we're going to have to do the same thing."

Bristol Myers, for instance, runs a site called Women's Link, which provides information on beauty, fitness and women's health issues, and

gives it an advertising platform. Financial services groups offer investment advice to browsers as a way of advertising their wares, while consumer product companies entice users to their sites by means of games.

Eventually, advertisers believe, special network-type organisations will take over the content responsibility, leaving firms to concentrate on getting their product message across. "There will be an ABC, NBC and CBS of the Internet," predicts Lehoullier.

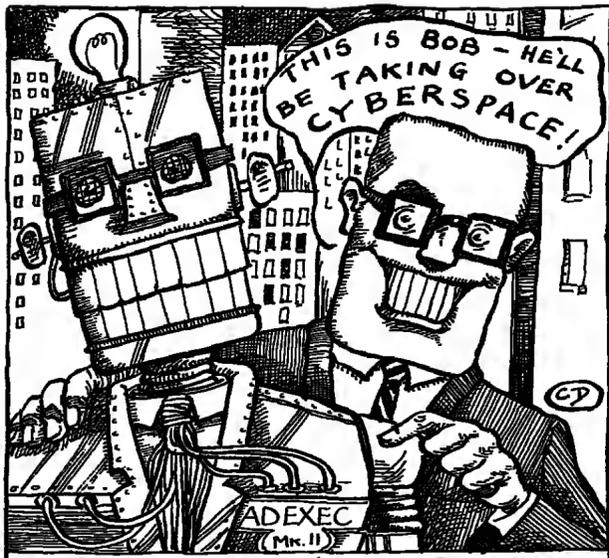
Advertisers also hope the responsibility of measuring audience size will be taken off their shoulders soon. Today, Internet marketers must create databases to track viewers. Many sites encourage users to provide information about themselves, others assign numbers to browsers during the log-on process.

Yet the Internet equivalent of Nielsen's TV ratings may soon emerge. Already, a group called NPD is measuring a cross-section of personal computer activity.

One development favouring traditional advertising agencies in the new multimedia world is the increasing use of video on the Net. New compression techniques such as Java and Shock Wave allow users to download clips quickly. "The Internet will look more and more like television, which favours agencies like ours," says Michael Troiano, head of Ogilvy & Mather Interactive.

While there may be similarities between the birth of television and the rise of the Internet, there are also important differences. Cyberspace is far more technologically taxing than television, and unlike television - the technology will probably continue to change, at great speed, over many years.

That may explain why many ad agencies have been slow to seize opportunities in cyberspace. "Madison Avenue firms are not known for their technological prowess, which is probably why a number of them are



ON THE CORNER OF MADISON AND SUPERHIGHWAY

getting in a little late," says one analyst.

The big US agencies still seem unsure what to do. Many, including Grey, Ogilvy & Mather and J Walter Thompson, have set up "interactive" departments dedicated to cyberspace marketing. A few are ignoring the revolution altogether. Most continue to farm out substantial parts of their work to start-up companies specialising in Internet advertising.

Yet the niche firms that have sprung up during the last 18 months are sceptical of Madison Avenue's ability to acquire cyberspace expertise quickly. "They are going to have a very difficult time finding experienced people," says Steven Conine, a partner at Spinners.

"We know how hard it is to get staff, because of our own problems recruiting. But now we've got a head-start," Conine believes. Internet advertising is far more difficult than many of the big firms realise. "Anyone can set up a Web site, but it's more complicated than that if you want to do it right." For instance, building up databases, coming up with something that's user-friendly and creating links between various pages requires computer programming skills that often exceed Madison Avenue's capability.

Client demand has pushed traditional agencies into action. Eighteen months ago, advertising on the Internet was widely regarded as experimental. Now it is increasingly an important part of an overall marketing strategy. Not long ago, few sites set up Web sites for a few

thousand dollars. Now, advertising firms say groups are spending \$500,000 or more for a single cyberspace spot.

"We want our Internet advertising to be fully integrated with our brand marketing," says Robin Carlson, a spokesperson for Sprint. "That's why we chose J Walter Thompson over a specialised agency, because they are our advertising agency of record."

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Tim Jackson

Doctoring the data

In Britain, with its command-economy health-care system, entrepreneurship and medicine have traditionally been mutually exclusive. One would not expect to find business savvy in a doctor than in a civil servant.

The US is another country, they do things differently there. Hence, perhaps, the success of Physicians Online (POL), a private Internet information service founded by three medical practitioners in 1994.

Physicians Online - the presence of the apostrophe and the absence of any capital letters in the middle of words say something in themselves - is based on two ideas of great simplicity. Doctors can benefit disproportionately from the things that online services can do, they are also, in the words of Dr Steve Zatz, the company's chief executive, "a uniquely sponsorable community."

That is partly because US physicians run small but high-margin businesses, which have plenty of money to spend on all kinds of products and services. It is also because the prescribing decisions they make on behalf of patients are worth over \$1 trillion a year.

Traditionally, drug companies have great difficulty in selling their wares to doctors. They hire expensive, highly educated salesmen; yet these salesmen spend remarkably few minutes of each day actually talking to their "clients". Pharmaceutical reps are usually treated with such contempt that they are often forced to deliver a three-minute spiel while the doctor is munching a sandwich between patients. No wonder doctors are flooded with gimmicky free gifts.

The opportunity to deliver a sales pitch electronically, to a physician who is in a receptive mood, is therefore of immense value to drug companies. While the drug rate for an average Internet user is about \$0.02 US per "impress-

ion" (per page of advertising viewed), Dr Zatz says that two views a month by a doctor of a page of information can be worth "north of \$50" to a pharmaceutical firm.

POL has been able to put together an impressive range of content that is delivered to doctors entirely free. The service's 95,000 subscribers, physicians all, can use a database of 7m references in 3,700 journals. They can keep up with information on AIDS using a separate news and information service; they can check descriptions of all drugs prescribed by the Food and Drug Administration and many from abroad; and they can use a free e-mail service, introduced last December, for referring patients to specialists.

POL also offers an unusual twist on the chat services that in other circumstances are usually the refuge of lonely nerds in basements. The service invites famous specialists to go online for an evening, communicating electronically with doctors from all over the country who want to get their hands on how to treat difficult cases.

Since POL's foundation, managed healthcare has emerged as a new area of the business. With doctors spread across the country in thousands of offices, managed care organisations face a daunting challenge in bringing discipline to their operations. To cut healthcare costs, they must persuade doctors to follow common approaches in treatment, to prevent rather than cure, and to use fewer brand-name drugs and more low-cost treatments.

Highly paid and educated as they tend to be, doctors resist being pushed around. POL's service has emerged as a powerful tool that allows healthcare organisations to manage their network of doctors and to get information to them rapidly and quickly. Some have formed primarily, to a physician who is in a receptive mood, is therefore of immense value to drug companies. While the drug rate for an average Internet user is about \$0.02 US per "impress-

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Perhaps most interesting are POL's discussion groups, which have evolved into a medical version of technical support, where doctors offer each other peer-to-peer advice.

Taken together, these activities have given POL the makings of a very profitable niche in the Internet. But the service is more than that; it could also help deliver better medical care, at lower cost, to millions of people all over the world.

tim.jackson@pobox.com

Online classifieds arrive in UK

By Raymond Snoddy

Rupert Murdoch's News International has joined the UK's national news agency, in an ambitious project to launch the £1.5bn (\$2.2bn) a year newspaper classified advertising market from electronic rivals.

The two organisations announce today that they plan to launch Classified Link UK, an interactive online classified advertising service for UK newspapers, in the last quarter of this year.

Participating newspapers will be able to place all their classified advertising on a large central database at the PA's headquarters in London.

It should almost immediately become the largest UK classified advertising site on the Net.

Users looking for a job, a house or a car will use search words to consult a database. They will find relevant advertisements in an electronic trawl through the ads available from the subscribing newspapers. The pages pulled up will carry the name of the newspaper involved.

Each paper will be free to develop its own commercial policy on electronic classified advertising, but to charge extra for the electronic service or not.

Classified advertising largely determines newspapers' economic health, particularly among the regional

press, and any serious leakage of classified revenue to new electronic rivals would be harmful.

PeopleBank, now controlled by Lord Rothermere's Associated Newspapers group, is already aiming at the recruitment advertising sector with an online service. The company encourages people to fill in a CV, which is entered into the electronic database.

During the next five years, the growth of Net and online services are expected to create an important market for classified advertising. Richard Withy, director of new media at News International, believes newspapers are ideally placed to take advantage of such opportunities, as well

as defend their existing business.

In the first year, newspapers will pay a founders' subscription. Subsequent charges will reflect the number of advertisements each newspaper has on the system. News International and the PA got together to develop Classified Link UK, a project that will cost £5m-£5.5m, as both were already active in electronic publishing and using the Net.

The Times went on the Net earlier this year. Last year The Times Higher Education Supplement became the first UK publication to put all its classified advertising on the Net, a decision that led to significant increases in circulation and advertising revenue.

Net telephony anxieties intensify

By Alan Cane and Tim Jackson

Encouraging the use of the Net for voice telephone calls would help drive down long-distance call charges across the board, a senior US regulator claimed last week.

Prof Joseph Farrell, chief economist at the Federal Communications Commission (FCC), the body which regulates US telecoms and broadcasting, told a London conference that there should be no

restrictions on Net telephony. It would help to drive down the charges long-distance operators pay to connect into local networks, and so reduce the cost of long-distance calls.

He made it clear he was expressing a personal opinion. But his views will intensify one of the hottest controversies in the telecoms industry. Many believe the growth of Net telephony - by which users are able to call anywhere in the world for the price of a local call - may fundamentally

reshape the economics of the telephone business.

Last month, America's Carriers Telecommunications Association, an organisation of 130 of the largest US long-distance operators, including MCI and Sprint, complained to the FCC that Net access providers are exempt from the charges they have to pay local phone companies for access to networks.

They petitioned the FCC to stop companies selling computer hardware and software that allow use of the Net for

voice conversations.

Net telephony has improved greatly during the past few months. Prof Farrell makes the point that the access charges currently being paid are far higher than cost, and that it is inevitable that the opportunity to bypass local access charges presents itself, people will take it.

"Rather than restricting Internet telephony," he said, "we should react to it as a driving force for access charge reform."

Cyber sightings

- The Cool Educational Site of the Week (www.cyberstation.net/maj/sur/prize.htm) is well worth a visit. Simply click on the ruby slippers in order to be taken to a different educational site, updated every Wednesday. This week's is an AT&T page all about microscopes.
- The US Association for Accounting Marketing has put up details of its conference next month in San Diego at www.usaam.com/users/aaom
- Likewise, information on

the ninth session of the United Nations Conference on Trade and Development, which will be held in South Africa from April 27 to May 11, is at <http://gatekeeper.unctad.org/unctad/ent/special/special.htm>

- The Productivity Works' (www.prodworks.com) Web-Speak technology gives the visually impaired access to Web-based information by means of a text-to-speech reading device. It is being field-tested by the Royal National Institute for the Blind. Information is available from Software Engineering (www.software-engineering.ch), the Swiss company helping to distribute the product in the EU.
- The Merlin Falcon MBA Guide (www.merlinfalcon.co.uk/mba.htm) is an

excellent, searchable guide to MBA programmes by country, and has helpful background information for students and prospective students.

- Internet Holiday Rentals (www.holiday-rentals.co.uk) will prove useful for planning a summer break. Covering Britain, Europe and further afield, it has pictures of the properties available and details of the accommodation on offer. To advertise a property costs £30 for three months, with a set-up fee. Worth a look.
- Details of the 1996 National Information Infrastructure Awards can be obtained at www.gii-awards.com
- Market research agency SGA (www.sga.co.uk) has put up a useful site with details of its survey of research buyers,

good links pages for market researchers, a monthly "brain-teaser", and a nice online job-costing feature.

- If your director of human resources says: "Hey, wouldn't it be cool to have a work song to 'improve bonding'?", just point him or her to the opportunity to bypass local access charges presents itself, people will take it.
- "Rather than restricting Internet telephony," he said, "we should react to it as a driving force for access charge reform."

steve.mcgoon@ft.com

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OPENINGS



BAMBY HADEN
The South West
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after the Second
World War with a
specific commitment
to new music. As part
of its 50th anniversary
celebrations, the
orchestra gives a
concert in Baden-
Baden on Wednesday
and makes its first visit
to London on
Saturday, followed by
a German tour. The
programme includes
Brahms's Fourth
Concerto, played by
Christian Tetzlaff, and
the concerto by
Michael Grier (left).



LONDON
Two of Britain's best-known playwrights are
currently involved in directing American plays here:
Herold Pinter's staging of Paganini's famous jury play "Twelve Angry
Men" comes to the Comedy Theatre tonight. The cast includes Timothy
West and Kevin Whiteley (above). Meanwhile, David Hare stages Wallace
Shaw's "The Designated Mourner" at the Coliseum Theatre, opening on
Wednesday, with a cast including David de Keyser, Miranda Richardson
(above right) and the American director Mike Nichols.

STRATFORD-UPON-AVON
The Royal Shakespeare Company
launches its new Stratford season
this week. Steven Pimlott directs
"As You Like It" with a cast led by
Sarah Cusack, Arthur Cook,
Joseph Fiennes, and Victoria
Hamilton, opening on Thursday;
Gale Edwards directs "The White
Devil", with a cast led by Jane
Gurnett, Carolina Blakiston, and
Philip Quast, opening on Friday.

NEW YORK
Picasso's work contains a
large number of pictures
inspired by particular people,
but until now there has never
been an exhibition devoted to
his portraits. The Museum of
Modern Art's "Picasso and
Portraiture" opens on Sunday;
a smaller version will be
shown in Paris in the autumn.



Low budget films with a sense of adventure

Nigel Andrews talks to three directors called Todd about the prerogatives and preoccupations of independent American cinema

It happens - metaphorically at least every year at every film festival. A well-known "unofficial" shipment of official dockets next to the official one, causing a sudden scramble of diverted interest. "The American independents have arrived!" shout critics on the quayside. And soon they are marking their diaries for all the vibrant low-budget films from Poughkeepsie or Peoria, from NYU or UCLA.

Two great truths govern American independent cinema. One: no other country comes near it in range, daring and talent. (Many names now deemed household began in the "U.S. Indies" section at Cannes, Berlin or elsewhere, from Lynch to the Coen brothers.) Two: every young director today seems, by kismet or coincidence, to be called Todd.

With Todd Haynes's *Safe* opening this week - the newest film from the director of the baroque, unerring *Poison*, arguably the best independent film of the early 1990s - what better time to buttonhole him, along with two other freshly acclaimed Todds met at the recent Berlin Film Festival.

Todd Solondz made *Welcome To The Dollhouse*, which took the Sundance Festival Grand Jury Prize for its wondrously off-kilter tale of a plain schoolgirl's coming of age. (It opens in Britain later this year.) And Todd Verow made *Frisk*, which caused much gasping in the aisles at Berlin with its graphic portrait of a group of gay sex-killers.

In their different ways, these directors cast a fascinating light on five important aspects that pinpoint the special prerogatives or preoccupations of independent cinema.

A for AMBIGUITY. Away from the mainstream, complexity can thrive and messages need not be spelled out for the hard-thinking. Haynes's *Safe* is the low-key but sumptuously shot tale of a Beverly Hills housewife (Julianne Moore) succumbing to the multi-allergic horrors of "20th century illness."

Mild coughing fits progress to faintings, oxygen cylinders and a visit to a macabre psychological health clinic.

But is the movie really - or only - about illness? Or is it also about the heroine's larger ennui as she navigates a moribund marriage, a clucking circle of friends and a city

of smog, health salads and jogging? "The film doesn't tell you what to think or how to interpret," Haynes says. "In many ways it follows the TV movie disease-of-the-week format. But unlike a mass-audience film it undermines the idea of the heroine's supposed victory at the end by trying to raise larger questions about society and our need to have answers to every malaise."

But neither that deeper meaning, says Haynes, nor the film's glacially elegant style are intended to deter an emotional response. "The look is inspired partly by Kubrick's *3001*, where nature and human mess have long washed from the planet, something you often feel in Los Angeles! But that isn't meant to distance the audience. The very act of identification the spectator goes through, sitting in a cinema where stories are coming to life, is part of what made me want to make films rather than paint or write or operate in arguably more 'elitist' media."

Todd Solondz's *Welcome To The Dollhouse* also aims to pull the audience in emotionally, while refusing to bribe it with facile answers or denouements. The gawky, thick-speckled heroine is stunned by every schoolmate save the class bully, who homes in on her with braggardly threats of "rape." But nothing goes to Hollywood plan. The bully turns out to be a disoriented loner just like her. And the girl never does take off those specs Hollywood-style.

"The girl's not a victim, that wouldn't interest me," says Solondz. "The idea of the film is that the persecutor and persecuted reside inside each of us. The bully's just as much an outcast as she. So there's a bond, and there's something quite beautiful in their first kiss which was actually the actress's first kiss."

"All of us adults are guilty of devaluing kids and that's reflected in Hollywood movies. There's a complexity and richness in their lives that we're often lazy about recognising."

Todd Verow's *Frisk* is even bolder in defying routine expectation. The film's episodes of sex and premeditated violence drawn from a Dennis Cooper novel, are presented without any "judgment" at all, let alone

explicit condemnation. "The book ends with the narrator saying 'Oh I made all this up, it's not true'. I changed that, I wanted the ending to be more ambiguous. I wanted people to relate to it as a possible reality, not a fantasy, that's a Hollywood escape route. There's a dark side to all of us. We all drive by car crashes and want to look. A lot of people who are in denial of that don't like the film."

R for BUDGET. The mathematics are awesome. One *Waterworld* would buy two hundred *Safes*, and two thousand *Frisks*. Even at this budget level, independent films can be difficult to finance.

Haynes: "*Safe*'s cost just under a million dollars, some of that from Britain's Channel Four. Because of the difficult subject, it was hard to finance and very hard to achieve the 'look' we wanted on the money. My next project *Glitter Rock*, based on the British music scene of the 1970s, has been much easier. The subject - David Bowie and Gary Glitter, dressing up and 'constructing' images - relaxes investors." So, surprisingly, did Haynes' Genet-derived *Poison*, whose gay main story appealed to the National Endowment for the Arts at a time of gathering AIDS consciousness.

Solondz: "My career started with one of those 'only in Hollywood' stories. A couple of studios, Fox and Columbia, saw my student films and gave me a three-picture deal each. But I had a bad experience - refusing to specify - and walked out on them. Then later some lawyer friends who wanted to invest in film persuaded me to dig out an old script. That became *Dollhouse*."

"The budget was under a million and that caused all the compromises. At this level you shoot for the stars but are lucky if you get five per cent. Of the 15 locations you plan, you can have three. I wanted the girl singing at Disneyland in the last scene - it was my downfall ending! - but we couldn't afford it so we put her on a bus going to Disneyland."

Verow: "The budget was under \$100,000. We got a free camera package, half-price film and no one on the production got paid."

C for COMRADESHP. Do America's independent directors constitute a "movement" or movie community?

Solondz: "I've read about this society of independent film-makers, but I've never been invited to it or its parties. It's not like, Ah we all hang out at this cafe! The main time you meet other directors is here at festivals. But I wouldn't even have done that if my film hadn't been successful."

Verow: "If you work in the same subculture there's sometimes a sense of community. Several of the people involved in *Frisk* came from other gay movies. But at the same time I wanted to broaden the film by bringing in women characters; I didn't want it dismissed as the story of a self-enclosed clique."

Haynes: "The last thing we want is a movement. It's one of the ideas behind *Safe*, that we all have this need to feel that people accept us and we belong to some larger creed or culture. Illness reveals to my main character how cut off she is in L.A., but when she gets a new identity and home - the clinic - the terms don't really differ from those she left behind. That chaotic painful isolation we feel as people, or artists, is something that can have a



Multi-allergic horrors of 20th-century illness: Julianne Moore in Todd Haynes's 'Safe'

value but society doesn't know how to deal with it."

D for DESTINATIONS. Axiom: every American film-maker wants to end up in Hollywood.

Solondz: "If anyone has a degree of success, it's only natural they'll look on your door. I've had offers, but I don't know what I'll do. I think I still have those two three-pictures deals with Fox and Columbia."

Haynes: "First you get agents calling. It started when *Poison* won the Grand Prize at Sundance. But I never felt an agent was what I needed. I actually have a lawyer who 'agents' for me and other independent film-makers like Richard Linklater (*Before Sunrise*). But you can also be approached by a star. After *Safe* Jennifer Jason Leigh wanted me to do a \$8m movie with her and I liked the script. But it fell through when reviews for her new film (*Georgia*) complained she was always playing the same role."

"The line is getting blurred anyway between mainstream and independent. With government cutbacks

there's much less grant-funding now, so most film-makers have to go to commercial investors."

Verow: "Am I going to Hollywood? No, I'm going to Bangor, Maine. My next film is based on a real incident in which a gay guy was killed by five teenagers. He was beaten up and thrown off a bridge. The film is about what it's like to grow up in a town like that." As Verow did. He was at school with those five teenagers.

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"The line is getting blurred anyway between mainstream and independent. With government cutbacks

Concert Muti in buoyant form

The Philharmonia Orchestra, which currently lacks music director and a principal conductor, is fielding some 15 conductors this season. This is very different from the days when a single maestro ruled his orchestra with a baton of iron. However, a glimpse of these times could be caught when Riccardo Muti returned to the Festival Hall on Thursday to conduct his old orchestra in a programme of Haydn and Cherubini.

By modern standards Muti's 11 years as the Philharmonia's principal conductor and music director seem positively protracted. His predecessor Otto Ebermayer held sway for 14 years, his successor Giuseppe Sinopoli lasted ten. Each made their own distinctive, if sometimes erratic, mark on the orchestra, an achievement hardly possible in our age of one-off engagements.

Even so, Muti and the Philharmonia are still a formidable team, and fears that his association with the Philadelphia Orchestra may have impaired him to subtlety of effect or that his work at La Scala may have weakened his grip on musical structure proved unfounded. Muti has little time for authenticity, it would seem. In Haydn's Symphony No.48 ("Maria Theresa") he sported a fullish orchestra and favoured a warm string tone which was sometimes allowed to obscure the woodwind and brass. But in its own way it was a faultless reading, robust yet buoyant and unafraid of wide dynamic contrasts. He conducts Haydn not in clipped, uniform phrases but as a seamless line in which every gesture is given its own distinctive character and impelled towards the next. For once the repeats were to be anticipated and savoured.

Muti's pulling power means that he can afford to take risks with repertoire. Cherubini's *Missa Solemnis*, an ambitious work which exceeds Beethoven's in length but not in vision, is hardly a crowd puller. Cherubini's late church music is everything you might expect from a director of the Paris Conservatoire: solid, learned, and effective. That Muti has long been an advocate of this music was evident from the fervent tone he drew from a well prepared and robust sounding Philharmonia Chorus and the white hot intensity of the overall result. But it remains a humdrum work and it was a pity that he had not chosen to expend his energies on something a little more worthy.

Antony Bye

INTERNATIONAL ARTS GUIDE

AMSTERDAM
AUCTION
Sotheby's Amsterdam
Tel: 31-20-5502200
● Indonesian Pictures, Watercolours, Drawings and Works of Art: this specialised sale of Indonesian paintings, watercolours and drawings also features several European painters who worked on the island of Bali, including Adrien Jean le Mayeur de Merpès, Rudolf Bonnet, Theo Meier and Isaac Israels; 10.30am; Apr 24

BERLIN
CONCERT
Konzerthaus Tel: 49-30-203090
● Deutsches Symphonie-Orchester Berlin: with conductor Heinz Holliger and violinist Thomas Zehetmair perform works by R. Schumann and Holliger; 8pm; Apr 23, 24
● Philharmonie & Kammermusiksal: Tel: 49-30-2614383
● St. Petersburg Soloists: with conductor Stefan Bevier and narrator Friedhelm Ptok perform

works by Schubert and Saint-Saëns; 8pm; Apr 27

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Il Trovatore: by Verdi. Conducted by Jiri Kout (Apr 23, May 3) and Johan Ansell (Apr 29) and performed by the Deutsche Oper Berlin.
Soloists include Gyöngyi Lukács, Marcia Bellamy, George Fortune and Reinhard Haeger; 7.30pm; Apr 23, 29; May 3
● Komische Oper Tel: 49-30-202800
● Glustino: by Handel. Conducted by Charles Farncombe and performed by the Komische Oper. Soloists include Ven Oyen, Korovina, Ratslber and Grabowski; 7pm; Apr 23

BRUSSELS
OPERA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Pelléas et Mélisande: by Debussy. Conducted by Antonio Pappano and performed by La Monnaie. Soloists include Laurence Dale, Maria Bayo, Monte Pederson and Nathalie Stutzmann; 8pm; Apr 23, 26, 28

DUBLIN
CONCERT
National Concert Hall - Geórgias Náfistírta Tel: 353-1-6711888
● A Gala Viennese and French Evening: with The Orchestra of St Cecilia, conducted by Aidan Faughey, soprano Kathryn Smith and tenor Arthur Davies. The programme includes the overture to *Der Zigeunerbaron*, the overture to *La Vie Parisienne* and songs and

duets from *Die Lustige Witwe*, *La Belle Héloïse*, *Die Fledermaus* and *Der Zigeunerbaron*; 8pm; Apr 27

HAMBURG
CONCERT
Hamburgische Staatsoper
Tel: 49-40-351721
● Arno Paajanin: the counter-tenor performs works by Handel, Paisiello, Monteverdi, Porpora, Gluck and Mozart; 8pm; Apr 23

HOUSTON
EXHIBITION
Contemporary Arts Museum
Tel: 1-713-526-0773
● Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape. For this presentation Long has created four works composed of regional materials, such as Santa Fe brick and Texas limestone. In addition to these works, the display includes photographs and text documenting the artist's walks through west Texas; from Apr 27 to Jun 30

LONDON
CONCERT
St. Martin-in-the-Fields Church
Tel: 44-171-9300089
● The Festival Ensemble: with conductor Martin Feinstein perform Mozart's Eine Kleine Nachtmusik and Concerto for Flute and Harp, and J.S. Bach's Double Concerto for Oboe and Violin, and Air on a G string; 7.30pm; Apr 27

EXHIBITION
Design Museum
Tel: 44-171-3786055
● 100 Masterpieces. Furniture that made the Twentieth Century: exhibition featuring 100 pieces of 20th century furniture. Highlights of the show include the zig-zag chair by Gerrit T. Rietveld, E127 by Eileen Gray, the Louis 20 chair by Philippe Stark, B3 (Wassily) by Marcel Breuer and the Well Tempered Chair by Ron Arad; from Apr 24 to Oct 8

OPERA
London Coliseum
Tel: 44-171-9350111
● Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Opera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Peter Sidhom and Philip Sheffield; 7.30pm; Apr 24, 27 (8.30pm); May 1

LOS ANGELES
OPERA
Wiltern Theater
Tel: 1-213-388-1400
● Orfeo ed Euridice: by Gluck. Performed by the Mark Morris Dance Company and the Handel & Haydn Society chorus and orchestra, conducted by Christopher Hogwood; 8pm; Apr 26, 27, 28 (2pm)

EXHIBITION
The J. Paul Getty Museum
Tel: 1-310-459-7811
● Tan Centuries of French Illumination: an exhibition of 20 manuscripts and single illuminated pages, presenting a survey of French painting in books, from the 9th to the 18th century. It includes richly illuminated books of many

kinds, including scripture, liturgical and devotional books and bestiaries, as well as a series of elaborate emblems of the nobility. Jean Fouquet and Simon Marmion are among the 15th-century illuminators represented; from Apr 23 to Jul 7

MADRID
EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● David Smith: retrospective exhibition devoted to the work of this American sculptor. The display includes some 40 sculptures created between 1933 and 1965; from Apr 23 to Jul 1

NEW YORK
AUCTION
Sotheby's Tel: 1-212-606-7000
● Property from the Estate of Jacqueline Kennedy Onassis: auction of some 1,200 lots of fine and decorative art, furniture, jewellery, antiques and books which have come predominantly from Mrs Onassis' New York apartment; 10am & 2pm; Apr 23 (7.30pm), 24 (also 6pm), 25 (also 6pm), 26 (7.30pm)

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Krystian Zimerman: the pianist performs works by Haydn, Beethoven and Schubert; 8pm; Apr 23, 24

PARIS
OPERA
Théâtre du Châtelet
Tel: 33-1 42 33 00 00

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COMMENT & ANALYSIS

Michael Prowse • America

Wolfensohn's task

The World Bank's new president is getting good publicity but cannot stem the institution's declining global significance



When the World Bank celebrated its 50th anniversary in 1994, it was attacked from all sides. Aid agencies such as Oxfam and Christian Aid complained that its allegedly harsh adjustment programmes were aggravating, rather than alleviating, social and environmental problems, especially in Africa. Conservative critics, meanwhile, argued that the rapid growth of private capital flows to developing countries had made the bank redundant.

trust". He referred angrily to a "glass wall" between him and the staff that was preventing him generating enthusiasm, change and commitment to reform. At times he seemed to despair of changing the bank's culture: "I just don't know what else to do... I just beg you to think about it," he said. Reading the transcript, I had a sneaking sympathy for the bank's senior staff. Every few years it is their misfortune to have a new president fresh from the private sector. The new chief invariably decides the bank is appallingly badly managed and demands instant reforms.

Perhaps because it has been led by European civil servants rather than US bankers, the International Monetary Fund has not suffered upheavals comparable to those at the bank. Mr Michel Camdessus, the managing director, does not make nonsensical complaints about cynicism, glass walls or lack of risk-taking. He simply uses the existing hierarchy efficiently to implement his goals, and those of member governments. He understands that a public bureaucracy works essentially on the principle of "command and control".

never return - short of a global calamity which destroys private capital mobility. Private flows have quadrupled since 1980 while official development assistance has stagnated. The single largest source of finance for foreign direct investment by those once-reviled multinational companies. The bank's modest concessional loans to the poorest countries of about \$5bn a year are insignificant when set against total flows to developing nations of \$200bn a year. Its net disbursements at normal interest rates have dwindled almost to nothing, reflecting the maturity of its loan portfolio.

Since taking over as president last year, Mr Jim Wolfensohn has tried to defuse what had become an intolerable din of criticism. He seems to be succeeding - at least with his natural allies in the global aid community. He pushed hard (and early) for generous multilateral debt relief for the poorest African countries; aid lobbyists are likely to blame the leaders of industrial countries, rather than Mr Wolfensohn, if the final scheme falls short of expectations.

The problem in part is simply a misunderstanding of the way bureaucracies must function. The bank is owned by the world's governments. Its staff are civil servants, answerable to their political masters. They do not, and cannot, have a simple bottom line, comparable to that of "maximising profits".

Thanks to its status as a public institution, it could borrow at fine terms from lenders in industrial countries and recycle the funds to grateful governments in the third world. Its lending, staff and portfolio of projects grew rapidly, giving everyone a sense of purpose and achievement.

Some say the bank still has a future as a provider of consulting services rather than loans. But it is not clear why advice cannot be provided by private sector groups. Mr Wolfensohn's plan to create an "internal market" in which country managers handle relations with client governments and purchase services from technical staff such as economists and agriculturalists within the bank does not go far enough. Why pretend all this must be done in-house? The way to achieve the entrepreneurial changes he claims to want is by sweeping privatisation of bank functions.

And he has shown greater willingness than his predecessors to consult the leaders of non-governmental organisations and other aid groups. He is, for example, seeking their advice on ways to enhance the social component of structural adjustment programmes. "He's acting like the rest of the world exists - that's the big difference," says Ms Nancy Alexander, an admirer at Bread for the World, a US voluntary group.

"They cannot be turned into entrepreneurs. Their goal is the fuzzy one of promoting third world development in ways acceptable to member governments. In an organisation not guided by the profit motive, a hierarchical chain of command and a detailed system of rules and regulations is more or less unavoidable. A bureaucracy without red tape is literally inconceivable.

Many staff would probably be more productive - and happier - if they formed their own private consultancies and competed for the custom of third world governments. But this is not a solution for bank lassitude that either Mr Wolfensohn, or his friends in the aid community, would ever willingly embrace.

Mr Wolfensohn's other main priority has been to reform the bank internally. He wants to create a "results culture" in which staff are judged not by the number or size of loans they generate but by the success or failure of projects on the ground. He has also promised to "break the armlock of bureaucracy on the institution" and encourage risk-taking and innovation. So far, however, progress appears to be disappointing.

At an extraordinary internal meeting with senior managers last month, he complained of widespread "cynicism and dis-

Wolferensohn: has tried to defuse criticism since taking over



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Strengthening morale and confidence in setting up WTO research unit

From Prof Jagdish Bhagwati
Sir, You are to be applauded for your timely editorial ("A map for trade", April 10) on the important role of independent research capability in the World Trade Organisation - denied hitherto by the membership of the WTO.

Second, just as the former director-general, Mr Arthur Dunkel, had appointed an economic policy adviser, Mr Renato Ruggiero would personally (entirely at his discretion rather than by governmental direction) choose, at this critical juncture of WTO's evolution, an advisory committee of eminent scholars to consult with periodically to seek expert advice on his agenda for the world trading system. In turn, the association of world-class economists with the WTO, and access to them by the augmented secretariat research staff, would strengthen the morale and confidence of in-house staff.

You are wise in rejecting a recent proposal to remedy the situation by establishing an eminent persons' group as created (and now terminated) by member governments of Asia-Pacific Economic Co-operation Forum which had no secretariat and no director-general in the way that international institutions such as the WTO have. Instead of strengthening the WTO, such a group would emasculate it. By contrast, you properly prefer an alternative proposal to create an "independent research unit", funded by a few governments, supported by a advisory group of

franchisees all show how competition can be extended. Separation of ownership from the provision of services would enable regulation to be more effective at curbing monopoly profits. Since there is no competitive threat to the owners of water pipelines, there is no need for them to receive returns much higher than the long-term real interest rate of around 2 to 3 per cent. At present, the regulator permits water companies to earn returns of 6 to 7 per cent. Requiring that all new investment is put to a competitive tender would introduce real competition to establish the lowest return that investors need. Since 1991, water company shareholders have earned returns nearly 50 per cent better than the stockmarket. Common sense suggests that this reflects exploitation of a monopoly. Failure to introduce

From Mr Rupert Darwall
Sir, John Kay's claim that "it is impossible to have competition in the water industry" ("An idea full of leaks", April 12) misses an entire dimension in which competition can be introduced. Even if it is difficult to have competition within a market, it is usually possible to introduce competition for the market. Water is no exception.

Chris B. Shirley, Dowlan Group, Beechwood Hall, High Wycombe, Bucks, HP11 1LA, UK

More effective curbs on monopoly profits

competition, as advocated by John Kay, represents a bleak prospect for water customers. Is that what is really meant by a stakeholder society? Rupert Darwall, former special adviser at the Treasury, London N5 2UX, UK

From Chris B. Shirley
Sir, John Kay's arguments can be faulted, but why bother? No large industrial water user would buy water of a quality different from that for which he has designed his water treatment plant. Kielder Water, for instance, would play havoc with a multi-million pound water treatment plant designed to treat a southern borehole water.

Chris B. Shirley, Dowlan Group, Beechwood Hall, High Wycombe, Bucks, HP11 1LA, UK

Minimum wage not factor in job cuts

From Mr Ian McCartney MP
Sir, Your article, "Costs Varella to lose 2,700 jobs in £50m shake-up" (April 15), speculates on the reasons for the company's restructuring, and states: "The prospect of a Labour government introducing a minimum wage above £4 an hour is also an influence."

Nothing more should be read into the company's decision and it is important that the Financial Times does not allow itself to be used by the Tory lie machine, which continues to support a policy of low pay or no pay.

Ian McCartney, shadow employment minister, House of Commons, London SW1A 0AA, UK

Technology • Julian Perkin

Automatic gift of tongues

More computers are being used to translate documents, and they save money

The galactic hitch-hikers in the world of science fiction author Douglas Adams had a simple way to understand any language they came across - they simply popped a Babel fish into their ears. Back on earth, things are not so easy. The translation of spoken and written languages was one of the first non-numeric applications envisaged for computers, but initial high hopes were dashed. Quality translation, particularly of general texts, remains to this day an elusive goal.

present tense in French. Translation involves more than producing equivalent sentences in another language. Paragraphs or whole sections may need to be replaced. How a computer may understand a text is a matter for philosophical debate. But a model of understanding can be simulated, drawing on areas such as artificial intelligence and linguistics. Progress in research is being made for specific translation problems within limited and specialised texts. But a higher order of complexity is faced when combining and scaling up prototype solutions to address a broader range of texts.

They are also fast and inexpensive, so long as the text they generate is good enough to avoid excessive reworking in the revision process. Most of all, technical documentation is voluminous. This offers considerable economies of scale. As John Hutchins of the University of East Anglia notes: "The market for the translation of technical documentation already outstrips the availability of human translators."

Colin Brace, editor of Language Industry Monitor newsletter, explains: "Casual business and home use is where we are seeing the most growth". The quality of translation offered is adequate for the required purposes. Rough translations can be used for information gathering, judging whether a document is suitable for more accurate translation and simple communication via E-mail or letter.

The past decade, however, has seen a resurgence of research into machine translation (MT). Funding for academic and commercial research projects in Japan, Europe and the US has been stepped up. The globalisation of business has been a driving force. Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated to facilitate sales. A big problem in translation is ambiguity both in the structure of sentences and in vocabulary. Words often have multiple meanings and functions and rarely correspond directly to words in other languages.

Commercial MT systems are actively being used already. Surveys by the International Association for Machine Translation indicate that the number of words translated annually runs to hundreds of millions and is growing. Companies in manufacturing, electronics, software and other sectors are using automated translation to support their products internationally. MT is also widely used in the European Commission and in the US defence department.

Corel, the Canadian software maker, and Oco-van der Grinten, the Dutch manufacturers of copiers and plotters, have both invested in MT systems in the past year. Each has managed to recoup the investment in the first important project. SAP, a big German software company, has been using MT productively since 1991 and has translated more than 10m words. Daniel Gramsick, head of the company's MT unit, says: "In urgent cases we can achieve two to three times the productivity of human translators. Over the past two years, we would not have been able to deliver without machine translation technology."

These newly available tools seem to be filling a latent demand for translation. Dan Rootman, who runs a small software distribution company in London, started using translation software three years ago for business correspondence with Russia, Kazakhstan and Ukraine. "The majority of users are individuals in small to medium-sized companies using MT software packages to translate faxes and E-mails. The heaviest users (of Russian MT) are in the oil and gas industry." He adds: "The past 12 months have seen a marked improvement in quality coinciding with driven down prices."

More problems lie in the fact that, for cultural reasons, the approach to writing varies according to the language used. For example, in English the passive form is frequently used, but seems inelegant if translated directly into any of the Latin languages. Minutes of meetings are reported in the past tense in English, but are normally written in the

Complex technical products traded around the world require volumes of supporting documentation, much of which needs to be translated

While these products do not offer the highest quality, they have attracted a sizeable user base due to their low cost - prices range from less than £100 - and the fact that they are easy to install and use on standard office or home computers.

Netsepe, the leading Internet software group, has joined forces with Globalink, commercially the most successful translation software developer, and intends to offer instant translations with the next release of its Internet browser. Computers which translate general texts well, or specialised texts perfectly, may still be some way off. But the potential is evident in the many millions of words already being translated each year by computers, and in the benefits perceived by individuals in businesses using translation software running on desktop computers.

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL. Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday April 22 1996

Fault lines of nuclear safety

By inviting seven world leaders to Moscow for a meeting on nuclear security, President Boris Yeltsin has probably boosted his own chances of remaining in the Kremlin after the forthcoming elections. But it is much too early to say whether the world has been made any safer for anybody else.

The most positive single development at the nuclear security summit was Russia's unequivocal endorsement of a comprehensive test ban treaty. While China and India could still queer the pitch, and Moscow may yet insist on hard preconditions for the treaty's entry into force, the Russian announcement is a welcome boost to the chances of concluding a treaty by the autumn.

Soviet technology

The chances of any other Chernobyl-type RBMK reactors being closed or even significantly improved look dimmer. The confidence of G7 governments in their ability to force the closure of all such reactors has receded sharply since the group endorsed that goal in 1993. Russia and some other ex-communist countries, including Slovakia, have become sceptical of Western lectures on the defects of Soviet technology.

Mr Brown's tough choices

It is commonly assumed that the Labour party lost the last general election in the UK because of its commitment to higher taxes. The proposed scrapping of the income ceiling on National Insurance contributions and planned increase in the top rate of income tax played directly into Conservative hands.

Tax, however, does not tell the full story of the defeat. The voters indeed feared higher taxes but, crucially, they also believed the additional revenue would be wasted. A Labour government would not deliver a better health service or refurbished schools. Higher taxes and spending were simply the easy option, an excuse to ignore more difficult decisions about the future of the welfare state.

Mr Gordon Brown, the shadow chancellor, has spent most of the past four years attempting to dispel this perception. Previous spending pledges have been ditched and assurances offered that Labour has no intention of raising the tax burden on middle-income Britain.

Welfare state

The obvious starting point is the welfare state. The shadow chancellor has already indicated that unemployed young people who refuse to take up serious offers of work experience, further education or training should expect to have their social security benefits reduced. As he admitted last week, for too long Labour's instinct has been to compensate those in poverty through higher benefits rather than to provide them with the educational and economic opportunities needed to escape from welfare.

Now Mr Brown has also said that a Labour government might scrap the payment of child benefit for those 16 to 15 year-olds who stay on at school, at a saving of around £700m a year. The resources would instead be concentrated on providing better edu-

Hidden agenda

The nuclear ministry tends to view all Western offers to guard or buy up its stocks as motivated either by commerce - the desire for cheap reactor fuel - or a hidden strategic agenda, aimed at neutralising what remains of Russia's deterrent force.

Moscow's scepticism is exacerbated by the fact that deep fault lines do exist in the G7: for example, the US is buying up Russia's weapons-grade uranium, while trying to prevent its European allies from doing so. The lack of consensus within the western world has emboldened Russia to play one country off against another, and withhold any form of co-operation in nuclear waste management that could compromise its own independence.

The Western nations have little choice but to press ahead with the search for a basis on which they and Russia can manage together the legacy of the cold war. Russia is entitled to insist on taking the main responsibility for its own nuclear stocks, but this does not preclude rational co-operation - nor exonerate Russia from its responsibility to avoid exposing the whole planet to danger.

Further education

The means-tested maintenance grants paid by a handful of local authorities have proved a more cost-effective way of encouraging such children into further education. For all the squawks at Mr Brown's suggestion from the Labour left, the main beneficiaries of the present system are middle class parents, whose children are likely anyway to stay on at school. It is they who stand to lose, a point quickly grasped by Mr Peter Lilley, the secretary of state for social security.

But the middle classes cannot be immune from reform of the welfare state. The emergence from the present system of a vast swathe of un- or under-educated young people involves a heavy economic as well as social cost. Britain will not prosper unless it raises the skills of a high proportion of the workforce. As long as there is no pot of taxpayer's gold, it makes sense to distribute existing resources more equitably.

Mr Brown is promising further hard decisions before the election, notably on the future of state pension provision. More will be needed, however, if Labour is to satisfy the voters it has mended its ways. So far it has offered a vague pledge not to raise the tax burden on the middle classes, has rashly promised to reduce VAT on domestic fuel and has floated the idea of a lower starting rate of income tax. But great uncertainty still surrounds its attitude to the higher rate of income tax and the extent to which it might make the whole tax system more progressive. Mr Brown will soon have to confront tough choices about tax as well as spending.

The price of nationalism

James Buxton explains why many Scottish businesses fear devolution could mean more taxation as well as more representation

Mr George Robertson, who is likely to become secretary of state for Scotland if Labour wins the next UK general election, says he believes passionately that the Scottish parliament which the party is proposing to set up in Edinburgh will stimulate and revitalise business.

But so far he has had a difficult time persuading senior members of the Scottish business community that a Scottish parliament would be to their advantage. Some see it as a potential source of political instability and higher taxes.

This issue is to be debated today at a conference in Edinburgh entitled "Devolution - Good for Business". The majority of speakers from the business community are likely to express misgivings.

Under Labour's plan the Scottish parliament would take control from Westminster of matters now administered by the Scottish Office - such as education, health, local government and agriculture. Westminster would be left with macro-economic policy, social security, defence and foreign policy.

The parliament would have 129 members, more than half elected under the first-past-the-post system, but topped up with members elected from party lists to give a measure of proportional representation. It would be funded, as the Scottish Office is now, through a block grant from the Treasury, but it would also have the power to "vary" the basic rate of income tax in Scotland by 3p in the pound.

As Labour and the Liberal Democrats see it, a Scottish parliament would bring the running of Scotland closer to the people. The Scottish Office is now in the hands of the ruling Conservative party - which commands only 12 per cent support in Scottish opinion polls. "No company would be run in this way," Mr Robertson told a business audience recently. "If decentralisation and devolution to local units is the way to get a business efficient, why should it not be the same in running the country?"

Decentralisation has some appeal in the Scottish business community. Last year a survey by the Scottish chambers of commerce found most respondents favourable or at least neutral towards a shift of decision-making from Whitehall to Scotland, and two thirds either supported or were neutral towards setting up a "Scottish legislature". But less than a third said they would favour one with tax-raising powers. When the Institute of Directors in Scotland recently consulted its members, some of them said Scotland could benefit from a parliament if it approved legislation relevant to Scotland's needs more speedily than Westminster. Others pointed to the economic benefit that Edinburgh would gain as a centre of political power.

But the predominant conclusion was negative: institute members feared that a Scottish parliament would distort the UK's single market by imposing higher taxes and different business legislation to England. Aware that most Scots had voted over the past 40 years for parties backing higher public expenditure, they felt this would inevitably mean that the parliament would raise taxes.

"We need devolution like we need a hole in the head," is the private verdict of one senior Scottish businessman. He considers a Scottish assembly to be a bit of romanticism, not of "people who have to earn a living or pay a wage cheque". Lord Weir, chairman of Glasgow-



based Weir Group, a big engineering company, is a Scot and a staunch upholder of the union of the United Kingdom. His role at today's conference is to outline why devolution is bad for Scottish business.

"The assumption people make," he says, "is that nothing else will change after devolution and things like our relationship with England will just carry on as before. But it won't be like that. At the very least it will precipitate debate about other changes, and may even lead to such changes."

He is thinking of issues such as the over-representation of Scotland at Westminster - the fact that Scotland merits about 57 MPs on a population basis but has 72, and the West Lothian question, raised in the 1970s devolution struggle by Mr Tam Dalyell, then Labour MP for West Lothian, who asked why, after devolution, Scottish MPs at Westminster would be able to vote on education in England while English MPs would not be able to vote on education in Scotland.

Devolution will also expose, Lord Weir says, the fact that identifiable public expenditure per head is 21 per cent higher in Scotland than in England, and substantially above that in the north of England, which has much higher unemployment.

The Labour party firmly rejects contemplating any change in the way Scotland is represented at

Westminster or in the sharing out of public expenditure among the regions. But Lord Weir believes that "these issues will not go away or be settled quickly". As a result, he says, "devolution will be unstable and cause uncertainty, and uncertainty is very bad for business".

A dividing line in attitudes to devolution can be discerned between Scottish companies whose activities are largely confined to Scotland, and those such as Weir Group and the financial institutions which operate all over the UK. Companies in the latter category have channels of communication to the British establishment which they do not need to supplement with a body in Edinburgh.

Mr John Mackenzie runs an electrical contracting business in Edinburgh which deals mainly with companies headquartered in England. He is afraid that "the more we emphasise how different we are, the more we risk stirring up the English and being seen as turbulent Scots".

He wonders whether many Scots realise that they probably have a greater influence in the UK than their share of the UK's population entitles them to. That includes disproportionately large representation on such bodies as industry-wide training committees and academic research institutes. All this could be

threatened if Scotland pulled away. However, that attitude will be rejected at today's conference by Mr Nigel Smith, who runs a Glasgow engineering company. He believes devolution for Scotland will swiftly be followed by the setting up of regional assemblies in northeast England and elsewhere, though apart from Wales this is not in Labour's plans. This would diminish the lopsidedness of devolution to Scotland.

Mr Smith also challenges the Scottish business community's opposition to the Scottish parliament having tax-raising powers. Such powers would help "concentrate the minds of politicians about just how important a particular piece of expenditure really is".

Labour's Mr Robertson is highly sensitive on the issue, possibly because of the Conservatives' almost daily attacks on what they call the "tartan tax". "A power is not a tax," he says, "and a governing Scottish administration would be very cautious before thinking of using even part of that power." He believes the parties in a Scottish parliament will state in advance of elections to it whether they intended to use the power. Labour has no plans to use it, he says.

Labour has also said the assembly would have no powers to alter corporate taxation. But the Scottish financial community of banks, life

assurance companies and fund managers is extremely worried about the proposed tax powers.

The main concern of Scottish Financial Enterprise (SFE), the trade body for the sector, is how a Scottish assembly would apply any income tax surcharge to unearned income such as interest and dividends, which are taxed at source. People with money in Scottish bank accounts could end up paying more tax than those with English banks.

"Spokesmen on the devolution side have made reassuring noises, but the tax question is still something of a black hole which needs to be clarified, and quickly," says Mr Grant Baird, chief executive of SFE, who is addressing the conference.

Scottish life assurance companies, which do about 85 per cent of their business in England, are afraid that even if the political parties promise not to levy any tax now, their English competitors could say to potential customers: "Why put your money with a Scottish company over a period of 20 to 25 years when the tax raising powers could be different in five years' time?"

Fearful of that danger, some Scottish life companies warned before the 1992 general election that they might have to move their domicile to England. That is just one of the questions raised by devolution that are likely to be debated even more intensely if a Labour government comes to power.

OBSERVER

One byte short of mega

What do you do if you are a US computer magnate with money to burn? Buy a sports team? Oh, what the hell, gimme two. Microsoft co-founder Paul Allen has gone for the double. Providing the US National Football League is willing to change its rule forbidding ownership of clubs in different sports, Allen will become the proud owner of the Seattle Seahawks football team. He already owns the National Basketball Association's Portland Trail Blazers.

Nothing is fixed, but at the weekend Allen acquired an option to buy the Seahawks any time in the next 14 months for an undisclosed price believed to be more than \$200m, including existing debt. A statement from the NFL said it was reviewing its policy prohibiting someone who owns a majority interest in an NFL club holding any interest in another professional sports team. But a recent study by the league found that a case could be made for dual ownership, and the issue will be discussed next month. Cyberspace experts reckon that those who own attractive sports teams will become significant players on the new-media scene by early next century. That could be what Allen is thinking about. Or

Room on top

Japan's trade diplomats were in mischievous mood at talks this weekend in Kobe between the US, Japan, the European Union and Canada. They had a double-edged welcome in store for Charlene Barshefsky, the newly-appointed acting US trade representative, who turned up to Kobe to give her maiden performance at an international meeting. Japan's ministry of international trade and industry has never forgotten how the US last year threatened Japan with unilateral economic sanctions under section 301 of US trade law, in the dispute over access to the Japanese car market. So when Barshefsky's delegation turned up to the meeting hall in Kobe, they were politely shown to their quarters in - yes you guessed it - Room 301.

Icarus meltdown

No wonder people are getting a touch jittery about state-owned Commercial Bank Greece's second-largest banking group. Weeks after other Greek banks announced their results, Commercial's new boss is still poring over the balance sheet.

Peer pressure

When the UK House of Lords debates Hong Kong this week it will have the benefit of advice from two of the territory's tougher women politicians. One is Christine Loh, the democracy campaigner who once threatened to chain herself to the Legislative Council building when China takes over, only to change her mind when she realised it would be

Logged-off

Slapped wrists for the authoritative French organ *Le Monde*. The association for the respect of the French language has criticised an article it carried on measures to protect the use of French - but which made a reference to a "CD-ROM" computer disk. The correct phrase, the association argued, should be a "DOC" - a disjunctive compact. At least it's shorter.

100 years ago

Competition from Japan. The industrial development of Japan is going on apace, and the amount of fresh capital invested in new and old enterprises including railways and banks from January, 1895, to the beginning of this year is estimated in a native paper at not far short of 500,000,000 yen. New concerns absorbed most of the capital subscribed, and the current year has started with quite a boom in the Japanese company world. It appears that both Australia and California are beginning to get anxious about the industrial competition of Japan, and the Californians are about to make representations in Congress on the subject. But Japan can hardly be regarded yet as a serious competitor in the export field.

Electrical standards

In the House of Commons yesterday Colonel Mallor asked the President of the Board of Trade whether the Board could offer the same facilities for testing and checking electrical standards as is given by the German Government with so much advantage to the German manufacturers of electrical apparatus. Mr. Ritchie said the Board of Trade had caused new denominations and standards for the measurement of electricity to be made and verified.

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FINANCIAL TIMES

Monday April 22 1996

Fountain Forestry SERVICES FOR PRIVATE AND CORPORATE LANDOWNERS, UTILITIES, LOCAL AUTHORITIES

Ministers look for reassurance of Japan's recovery

Bundesbank rate cut brings optimism to G7

By Robert Chote, Economics Editor, in Washington Finance ministers and central bank governors from the Group of Seven leading industrial countries met in a mood of cautious optimism about the world economy yesterday...

central bank governors would also be looking for reassurance from the Japanese that recovery in Japan was safely under way and that domestic policies would continue to support it.

was "dangerous and wrong", and that all countries could not pursue this policy at once because some had to gain at the expense of others.

Design skills of UK groups lag rivals in Germany

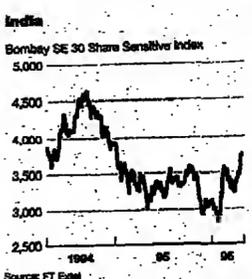
By Stefan Wagstyl in London British companies lag their German rivals in design skills, but the gap is not as great as in manufacturing know-how, says a study of innovation and product development published today.

Redundancy options

The controversies over the chairman of AT&T's \$18m package and the decision by Daimler-Benz to award its top executives share options highlight one of the big ethical questions in modern capitalism: should bosses profit from making their employees redundant?

THE LEX COLUMN

Redundancy options



that the lure of the US capital market - still the world's largest - remains powerful. Like Japan and Canada, the US does not currently accept IASC standards. US rules are harsher, but if enough big European companies adopt them because they get tired of waiting for the revamped international ones, that could undermine the credibility of the IASC.

industry, and unravelling the sprawling public sector. But the downside risks still look modest: certainly, the opposition parties' manifestos are surprisingly moderate. And even if opposition to foreign companies were to grow again, that would not hurt Indian stocks. But the most compelling case for investing is simply that shares look good value. Even if corporate earnings growth is slowing, it is still formidable - comfortably enough to justify an average market rating of 13 times next year's earnings. Moreover, given the political consensus surrounding the basis of reform, and India's undoubted economic potential, the long-term outlook is benign. India may still be more like an elephant than an Asian tiger, but such beasts have their virtues.

Hanson The fashion for demergers is bringing some life back into long-depressed Hanson. Its shares are almost back to the level when its four-way split was announced. And brokers are talking of a 350p-a-share break-up value for the conglomerate, suggesting potential upside of 25 per cent.

India With India's reformist government widely expected to lose its parliamentary majority, you might think the stock market would be having the jitters. But you would be wrong. Last week alone, fuelled by strong foreign buying, the market rose 7 per cent.

Accounting rules One of accounting's Holy Grails - a set of common standards acceptable to the world over - is almost within reach. This month, the International Accounting Standards Committee slashed a year off its four-year timetable to produce such a core set of standards. Its secretary-general, Sir Bryan Carsberg, now hopes to publish them by March 1998. The benefits would be considerable: companies could list their shares and raise money in all major markets using just one set of accounts. That would reduce their cost of capital. Investors, meanwhile, could make more meaningful cross-border comparisons.

Main trading powers near to pact on opening up telecoms

By William Dawkins in Kobe The US, European Union, Japan and Canada yesterday moved closer to an accord in World Trade Organisation negotiations to liberalise the \$500bn-a-year global telecommunications market, but important issues remained unresolved.

sioner, said that on the strength of the progress at Kobe others "must come forward and join us in the last lap to success".

gum and Spain. In return, the US and Canada showed readiness to compromise on what had been a problem for the Europeans: restrictions on the landing of submarine telecoms cables on US and Canadian shores.

British companies lag their German rivals in design skills, but the gap is not as great as in manufacturing know-how, says a study of innovation and product development published today.

They're very methodical, designing things over and over again," he says. "So are the Japanese. But we don't do this so well."

Israel

Continued from Page 1 a deal arranged by its strongest ally and is suspicious of France's close relations with Beirut, Damascus and Tehran.

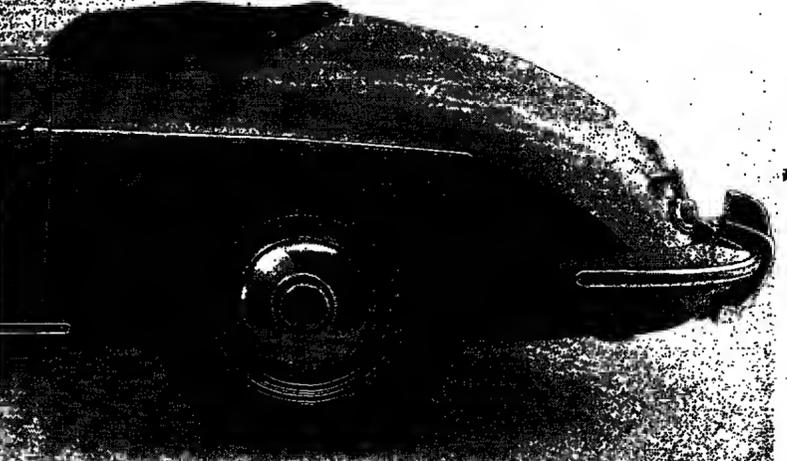
UK may ban beef imports

Continued from Page 1 humans, including an order to remove specified offal from carcasses, while such measures are not in place elsewhere in Europe.

considering refusing to make its regular monthly payments to Brussels. However, this seems unlikely to happen because the EU imposes penalties on countries which pay late, and would almost certainly block further funds to Britain.

Leading companies are both quality-conscious and fast, the study says. As a result, laggards cannot hope to compete by concentrating only on quality or speed: "As a result, the gap between world-class and the rest is likely to widen."

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FT WEATHER GUIDE Europe today Most of western Europe will remain dry and warm. Southern winds will cause summery conditions and temperatures above the seasonal average in Germany, Poland and Austria. France, particularly in mountain areas, and Britain will be overcast with showers and some thunderstorms. A low over Ireland will cause unsettled conditions in the British Isles, and some parts of south-eastern Europe will be unseasonably cool and overcast with showers. Italy will be warm and sunny.

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US store loss pushes betan into first deficit since 1991

generator require power

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FINANCIAL TIMES
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Monday April 22 1996

US store loss pushes Isetan into first deficit since 1961

By Eniko Terazono in Tokyo

Isetan, the Japanese retailer, said it would post an unconsolidated net loss of ¥31.8bn (\$297m) - its first since listing in 1961 - because of write-offs of its loans to Barney's, whose Chapter 11 proceedings began in January.

The retailer tied up with Barney's in 1989 in an agreement to help the US store's domestic expansion in return for transfer of product development and other retailing expertise. Isetan claims to have provided the New York retailer with ¥61.6bn in investments and loans.

A dispute over the tie-up agreement erupted when Isetan refused to give up ownership of the Barney's stores in the US it helped finance. The sides are locked in litigation, with Barney's filing a suit for \$50m against Isetan and the Japanese retailer countering with a \$165m lawsuit against Barney's.

Isetan will write off ¥30.7bn in loan losses to the Barney's group, and ¥3.6bn in valuation losses on its stock holding of Isetan's wholly owned US subsidiary.

Despite the loss, the company will maintain its annual dividend of ¥10 per share while its board members will forego bonuses.

Official earnings for the year to March are due to be released next month, but Isetan said unconsolidated recurring profits rose 11.5 per cent to ¥7.1bn and sales increased 0.9 per cent to ¥414bn.

On a consolidated basis, the company will post a net loss of ¥31bn, despite a net profit of ¥2.5bn. Sales are expected to rise 2.4 per cent to ¥665bn on a 1.4 per cent decline in pre-tax profits of ¥7.2bn.

Other Japanese high street retailers released mixed results on Friday as costs which aggressively cut costs saw a sharp profit rise while some continued to struggle with the effects of the Kobe earthquake which hit the western city in January last year.

Rationalisation helped Mitokoishi, the country's most prestigious department store, report a 50.8 per cent rise in non-consolidated recurring profits for the year to February to ¥5.6bn. Sales fell 1.4 per cent to ¥756.6bn. Net profits soared 91.1 per cent to ¥2bn.

But Sogo, a department store operator based in western Japan, reported losses for the first time in 36 years, because of the effects of earthquake damage. It reported unconsolidated recurring losses of ¥6.3bn for the 12 months to February against a profit of ¥1.5bn in the previous year.

Daimaru and Takashimaya results, Page 27

Allianz expansion puts faith in Hong Kong

By John Riddling in Hong Kong

German insurer to invest \$500m in Asia-Pacific markets by 1998

Allianz's plans to invest \$500m in Asia-Pacific equity markets by early 1998, following the setting up of a Hong Kong asset management arm, marks a strategic expansion in the region and a vote of confidence in the territory's prospects, according to Dr Henning Schulte-Noelle, chairman of the German insurer.

Speaking after the launch of the Hong Kong operation, Dr Schulte-Noelle said that the move reflected the strong growth prospects of Asia-Pacific economies and the company's policy of diversifying investments. He cited Hong Kong's handover to China next year as a consideration, but not a serious concern.

"Our move to Hong Kong was a deliberate decision to demonstrate our confidence in the stability and prosperity of financial services markets of the far east and Hong Kong in particular," said Dr Schulte-Noelle. "China has an important self interest in making sure Hong Kong remains a dynamic financial centre," he added.

The Allianz chairman also expressed optimism about winning Chinese approval for an insurance licence. "There are a lot of indications that we are in a good position," said Dr Schulte-Noelle, hinting that he expected to be given the go-ahead this year.

Allianz has already invested about \$250m in Asia-Pacific markets. A further \$250m drawn from the group's European and US insurance subsidiaries, is to be allocated to the region within the next few years.

"By 2000 I would not be surprised if we had \$1bn invested in the region," said the Allianz chief.

Hong Kong was selected as the regional base for fund management because of the liquidity of the market, according to Dr Bernd Gutting, managing director of Allianz's Hong Kong asset management operations. He said that the fund management business would initially target blue chip companies.

The Hong Kong operation follows other steps to develop the group's regional activities. Earlier this year, Allianz set up a regional insurance head office in Singapore with the aim of managing the strong growth in business that is forecast. "It is our goal to raise the premiums we generate here from the current DM200m (\$134m) to more than DM2bn by the year 2000," said Dr Schulte-Noelle.

With regard to China, the Allianz chairman said that he had been encouraged by meetings with senior government officials during recent months. Several foreign insurance companies are seeking licences to do business in China, but access has so far been limited to two groups, AIG of the US and Japan's Tokio Marine and Fire.

INSIDE

Graining

Electricite de France, the French state energy utility, has effectively won control of Graining, the Swedish power company, after a battle with Sydkraft. Sweden's second-largest power supplier. The move is the latest stage in the struggle for pre-eminence in the newly deregulated Nordic power market.

Page 27

Cable and Wireless

Sir Peter Bonfield, chief executive of British Telecom, is well known in business circles, but Mr Rod Olson (above), his counterpart at Cable and Wireless, remains something of an enigma. As the details of a possible merger of the two telecoms companies are thrashed out between these two attention has been focused on Mr Olson's experience and negotiating skills.

Page 26

Fund Management

The state of Connecticut astounded the US pension fund industry earlier this year by sacking nearly all of the 17 investment management companies between which its \$12.6bn pension fund was divided - reversing a trend in the 1980s when funds appointed more and more specialised managers to handle different asset classes.

Page 30

Faces

After 12 years as president and chief executive of T. Rowe Fund, the US mutual fund group, Mr George Collins, 55, is quitting to indulge his passion for sailing. In spring next year he will be leaving to skipper a boat in the Whitbread round-the-world yacht race. Mr Collins is used to challenges, having turned T. Rowe into one of the highest mutual fund companies in the US.

Page 30

Japan's leading stocks are poised below the elusive 22,000 mark

Nikkei teeters on the edge of a breakthrough

Financial astrology is in vogue again in Kabutocho, the stockbroking district in the heart of Tokyo. Always on the lookout for supernatural inspiration, brokers and investors are snapping up the latest mystical offerings in local book shops. This time the search for spiritual divination of the market's next move is an urgent one: is the Nikkei about to make a long-awaited break-out?

The index of 225 leading stocks is poised, like a wraith before a talisman, in front of one of its most critical numerical barriers.

Having hit a low of 14,485 last summer, the index has been rising steadily since. A recent spurt has now taken it into familiar territory, and it waits just under the 22,000 level. Twice in the past three years the Nikkei has tested this critical point of resistance, and twice it has failed. But this time there is a growing confidence in the market that it can punch a way through.

"The consolidation in the market is over. We believe the index will have a strong second quarter of 1996, breaking through previous resistance levels," says Mr Jason James, strategist with James Capel Pacific in Tokyo.

The barrier is a significant one because most chartists believe that once it has been cleared, there is little technical resistance to stop the index rising much higher, back to near bubble highs.

Historical analysis of trading by investors indicates that the 20,000 to 22,000 level on the Nikkei is crucial. For some time the index has been caught in a tug-of-war between foreign buying and Japanese selling. Domestic investors have been consistent heavy sellers of Japanese shares whenever the Nikkei has been between 20,000 to 22,000. Those sales have been met with active buying by overseas investors.

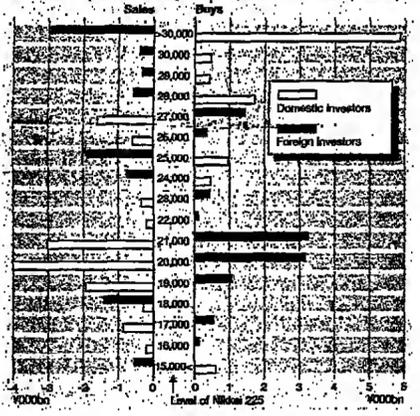
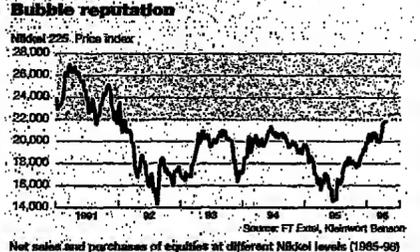
If foreign demand can push the market above that range, there is scope for a sustained further rally. Since, it seems probable, selling will take place only at levels at which heavy buying had previously occurred, the Tokyo stock market should be free of heavy sales until 23,000 - the next level where domestic institutions have bought heavily.

"Once we are clear of 22,000, selling by domestic investors will be minor and will not begin again seriously until 28,000," says Mr Ken Okamura, strategist at Kleinwort Benson in Tokyo.

Last week the index touched 22,000 for the first time in four years before dropping back of which ¥1,000bn is expected to flow into equities.

But this extra impetus to the market may not endure. "Buying by pension funds is not going to last forever and expectations of their buying already seems to have been discounted into share prices," says a fund manager at Tokio Marine and Fire insurance, the country's largest non-life insurer. Investors coming into the market now are unlikely to see short-term gains, he says.

Instead, the bulls point to a more solid foundation for the proposition that the market



This week it is expected to renew its attack. Will it succeed?

One factor that suggests it might is that in recent weeks foreign investors have been joined on their end of the tug-of-war by growing numbers

The index is in a tug-of-war between foreign buying and Japanese selling

of domestic buyers. This month, for the first time, rule changes handed over of the country's pension funds over to investment advisers, away from the cautious life insurers, which have been eschewing equities. Analysts estimate that this deregulation has freed about ¥3,000bn (\$47bn),

Bearish Buffett increases size of stock offering

By Maggie Urry in New York

shareholder approval at the annual meeting on May 6, to undermine attempts by some investment firms to set up unit trusts investing in Berkshire shares. Mr Buffett has always been reluctant to split the company's stock although the price of \$33.30 at Friday's close is out of reach of many investors. He decided to issue the B shares at a price of one-third of existing shares, which will be reclassified as A shares, to allow smaller investors to buy directly rather than through the proposed unit trusts. The A shares will also be convertible into B shares.

Berkshire had proposed the issue of 100,000 B shares, with Salomon Brothers, the underwriter for the issue, having the right to buy a further 15,000. However, on Friday the SEC filing was amended to increase the proposed issue to 250,000 shares, with an option for Salomon to buy another 37,500.

The draft prospectus says the company has no plans for the money raised, but expects eventually to make acquisitions and to augment the capital of its insurance activities.

It says sales commissions to brokers have been "set at the lowest commercially reasonable level, so that dealers have less incentive to solicit customers." Salomon says in the filing it does not intend to stabilise the price after the issue by buying or selling shares.

The offer timetable includes a book-building period between May 8 and May 21, with the issue due to be priced after the market closes on May 22.

The new class of B shares are to be issued, depending on

UK generator poised to acquire power distributor

By Patrick Harverson in London

National Power is expected to announce today an agreed £2.6bn (\$3.5bn) acquisition of Southern Electric, the UK regional electricity company, in a move the generator hopes will bolster its defences against a likely hostile takeover bid from Southern Company, the US utility.

National Power is also believed to be considering returning some of the money it will receive from the £1.7bn sale of three power stations to Hanson, the UK conglomerate, to shareholders via a special or enhanced dividend or a buy-back. The sale of the stations was confirmed late on Friday.

In another development, National Power is on the verge of spending \$350m on acquiring generating capacity in Pakistan and the US. The group believes the deals will underline the success of its interna-

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The Ministry of Privatisation of the Republic of Poland

has disposed of strategic shareholdings in the following companies

Przedsiębiorstwo Wytwarzania Tytoniowych w Augustowie S.A.	Zakłady Przemysłu Tytoniowego w Radomiu S.A.
BATIG GmbH (BAT Group)	SEITA S.A.
Zakłady Przemysłu Tytoniowego w Krakowie S.A.	Wytwórnia Wytobów Tytoniowych w Poznaniu S.A.
Philip Morris Holland B.V.	Reemtsma Cigarettenfabriken GmbH

US\$509 Million aggregate consideration and US\$300 Million minimum investment commitment

Morgan Grenfell & Co. Limited acted as financial adviser to the Ministry of Privatisation on these transactions

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COMPANIES AND FINANCE: UK

The enigma at the top of C&W

Alan Cane analyses the man who may create the world's first global telecoms operator

An explosion of interviews and features have made Sir Peter Bonfield, British Telecommunications' new chief executive, the business equivalent of a household name. His counterpart at Cable and Wireless, Mr Rod Olsen, however, remains something of an enigma.

performance. One analyst said he was "surprisingly impressed," while another pointed to the similarities of style and personality between Olsen and Bonfield: "There is an affinity between the two which augurs well for the merger talks," he said.

Olsen is forbidden by Take-over Panel rules from discussing the proposed merger. He is, however, prepared to talk about the management changes he has overseen at C&W since the departure of Young and Ross: "We have got away from a management by consensus approach, which was very much the style under James Ross, to management by accountability. Many of the committees have been cut away and much of the travelling. We use video-conferencing to talk to the US and Hong Kong."

"It also made people aware that 124 Theobalds Road [C&W's London headquarters] actually exists as more than a morass of minutes of committees and meetings."

He says that clarifying the goals and objectives of the company was an important step forward. The company is now driven in his chosen markets by five

principles: the delivery of quality service at a competitive price, the provision of innovative solutions, the deployment of leading-edge technology, exploitation of the group's global presence and development of its partnering skills.

Olsen says: "I believe I can go to almost any senior manager and have a conversation about what he or she is doing in relation to these principles. There is a cascade that runs right down the group from this high level to individual business units and individual strategy and tactics; it extends to performance levels and bonuses."

Olsen, 50, was born and brought up in New Zealand where he turned his back on the family farming business in favour of book-keeping. A broad-based business studies course at Victoria University in Wellington led to a job with the accountancy firm then called Peat Marwick Mitchell. It sent him to Hong Kong where he developed an enthusiasm for the eastern way of doing business. "You can make business decisions very quickly and there is no sense of envy at what other achieve."



Rod Olsen: 'We have got away from management by consensus'

board as director, Far East. He returned to London as finance director after extracting promises that the job would entail as much strategy as number crunching.

It is this, perhaps, which explains his slight irritation over suggestions that C&W is "rudderless" while it seeks a permanent chief executive. He had been effectively chief oper-

ating officer before the Young and Ross debacle. Olsen makes it clear that he believes C&W is right to cast its net wide in seeking a permanent chief executive, but he is equally clearly enjoying the role: "I cannot find the right person, although I believe that is highly unlikely. I would be more than happy to carry on doing what I'm doing now."

McCormack to set up branded golf courses

By Tim Dickson

Mr Mark McCormack, promoter and manager of sports events and personalities, has signalled his ambition to develop a portfolio of branded European golf courses.

McCormack, 66, founder of the IMG group, is making his UK stock market debut with a reverse takeover of the struggling property company Union Square and the acquisition for £2.1m of two golf courses in the Algarve.

Behind the deals lies a belief that the European golf property sector is ripe for consolidation and the market for televised golf in Europe is under-exploited.

Courses acquired or completed by the newly-restructured group will be capable of hosting televised tournaments, a business in which Mr McCormack is well placed to participate through Trans World International, IMG's television division.

Under the terms of the deal, PGA European Tour Golf Courses (IMG) - a company jointly owned by Mr McCormack's IMG group and the professional golfers who play on the annual PGA European tour - is to be acquired by Union Square for £14.77m through the issue of shares amounting to 33.25 per cent of the enlarged capital. IMG and Tour Properties have agreed to subscribe for additional shares which will take their combined stake to 39 per cent.

Mr Richard Thompson, whose family interests will control 23 per cent of the enlarged capital after an institutional placing of £10m shares, will remain as non-executive chairman and Mr McCormack will join the board as a non-executive director. Mr Sean Kelly, who is leaving IMG after 12 years, will be the new managing director.

PGA European Tour Courses, as Union Square will now be known, already owns Collingtree Park golf course in Northampton, a 50 per cent stake in Stockley Park near Heathrow Airport and interests in courses in Sweden and Germany.

NEWS DIGEST

Ennemix defends 50p valuation

Ennemix, the aggregates company rejecting the hostile bid by Redland, has defended the report that supported a valuation of its assets as 50p a share, and rejected Redland's final bid of 36p a share.

The Redland bid values Ennemix at about \$6.4m but the Ennemix board told shareholders over the weekend: "Redland's final bid grossly undervalues your company, representing as it does a 30 per cent discount to the real value."

Ennemix directors, who hold 27 per cent of the company, have said they will not accept the bid. They asked Smiths Gore, the chartered surveyors, to value Ennemix's minerals, land and related buildings and Redland has questioned the value of 50p a share claimed for its assets by Ennemix as a result of that report.

Mr Gerald Berwick, Ennemix chairman, has written to shareholders saying: "Smiths Gore have written to your board firmly rebutting those assertions and confirming the net asset value of 50p."

He also told them that Mr Timothy Ross, formerly chief executive of George Wimpey's minerals division, would be joining the board as a non-executive director. *Martin Brice*

MBOs outperform

Management buy-outs that have floated have outperformed the FT-SE-A All Share index by 25 per cent, according to a report published yesterday. The report by the Centre for Management Buy-Out Research at Nottingham University said MBOs floated last year have risen by 25 per cent. The CMBOR index has increased by 118.7 per cent since December 1993, while the Hoare Govett Smaller Companies index has increased by 79 per cent.

The number of MBO flotation millionaires has declined from 75 to 55, reflecting a sharp decline in the importance of flotation as a means of giving employees the opportunity to own shares.

Just over a quarter of executive directors, a similar proportion to 1994, had share stakes worth less than £250,000 on flotation. The 29 MBO floats during 1995 is a significant fall on the 49 of the previous year and the 36 of 1993. *CMBOR quarterly review, Deloitte & Touche Corporate Finance at the University of Nottingham.*

Bank chairman received £1m

The salary and other benefits of Mr John Gray, chairman of Hongkong Bank, increased from \$880,000 to £1m last year, according to the annual report of HSBC Holdings. HSBC said Mr Gray, who is based in Hong Kong and his remuneration package included housing and other expatriate benefits in kind. He retired in May. Total emoluments of Sir William Purves, HSBC chairman, increased from \$633,000 to \$630,000. HSBC reported pre-tax profits of £2,672bn last year, up from £3,166bn in 1994. *Ralph Atkins*

In brief

FORTUNE OIL: Strong trading helped Fortune Oil more than double profit after tax from £1.06m to £2.17m on turnover up 57 per cent to £93m for 1995. The Hong Kong-based group, which has exploration and crude oil and gas production interests, saw trading division increase profit 52 per cent to £2.4m on revenues 50 per cent higher at £87.2m.

WEEKEND SHARE WATCH

A digest of Saturday and Sunday comment on UK companies



Financial analyst Terry Smith has launched a "hard-hitting" attack on Carlton Communications over its treatment of goodwill after a string of acquisitions, according to the Sunday Times. Yesterday Mr Smith said the revised edition of his bestselling book, Accounting for Growth, to be published in July, would suggest that if goodwill written-off is added back, the media group's average return on capital last year would have been 8.5 per cent, not 40 per cent. He said he was not criticising Carlton's accounting practices per se -

though their returns were "inadequate" - but the UK accounting system which allows goodwill to be written off.

Marks & Spencer yesterday dismissed a report in Sunday Business that it was holding crisis meetings after customer rejection of the summer wear collection. Mr Brian Hudspeith of M&S said that there would be meetings, as the group reacted as normal to changing circumstances: "Some seasons are not so good - our reaction is the same." But to use the word crisis was "artistic licence". The group would be happy to be judged on its record when the results were reported next month.

Harrods, the Knightsbridge store, is considering flotation at a valuation of more than £1bn, according to the Sunday Times. Mr Michael Cole, public relations director, said yester-

day that the group was "not going to feed rumours nor engage in speculation."

Reckitt & Colman said a Sunday Business report that SmithKline Beecham was stalling its pharmaceutical business was "absolute speculation." The report said SB had twice this year offered £700m for the over-the-counter drugs business, including Lemsip, Gaviscon, Disprin and Dettol.

WH Smith is planning a £200m rights issue as part of a restructuring programme following the strategic review by Mr Bill Cockburn, the new chief executive, according to Sunday Business. The group refused to comment yesterday on what it called market rumour. Last week it sold its business supplies division for £142m, reducing gearing to 5 per cent, and analysts commented that a rights issue would now prove unlikely.

Eurotunnel likely to hail increase in traffic

By Geoff Dyer

Eurotunnel, the Anglo-French operator of the Channel tunnel, will attempt to use the publication of its annual results today to emphasise the success of its passenger and freight operations.

But with analysts expecting losses of anywhere between £700m and £900m for 1995, attention will inevitably fall on the disastrous financial position. In particular, Sir Alastair Morton, co-chairman, will be under pressure to explain why refinancing talks with the group's 25 banks have stalled. Leading banks in the syndicate report the talks are deadlocked while they await detailed long-term revenue forecasts. The appointment in February

by a French court of two mediators has also held up progress. Eurotunnel, however, insists that the talks are still taking place with the steering group of banks - the six banks which are leading the negotiations for the syndicate.

However, the slow progress of the talks can be seen by the fact that the company has not updated the restructuring group of banks - the 25 biggest banks in the syndicate and the next layer in the negotiations - for nearly two months. Meanwhile, Eurotunnel's recent traffic numbers have impressed analysts. Last month it carried twice as many cars and trucks as in March last year, and achieved a record of 50,000 passengers on the last Saturday of the month.



RUSSIAN FEDERATION

Tender for the Sale of Shares in INDUSTRIAL ENTERPRISES in the Leningrad Oblast (District)

Deadline for receipt of offers: July 15th, 1996

Key to company description: F01 - sale by the Privatization Fund, F02 - sale by the Fund following determination of conditions for privatization, F03 - sale by company owner(s) with advisory services from TOB and the Fund, company name (in brackets: available shareholding), address, object of business, comments, turnover 1995, no. of employees 1995/96

CHEMICAL INDUSTRY	AGRICULTURE AND FORESTRY, FOOD INDUSTRY	CONDITIONS OF THE TENDER	
<p>F01-01 AOOT Lessogorski Works (15% state-owned, purchase of privatized shares possible) 188960 Lessogorski, Vyborg District Manufacture of polyethylene film and packaging material, adhesive labels and tape Rbl. M.: 13,785; 418</p> <p>F02-01 Kirishi Biochemical Works (100% state-owned) 187110 Kirishi Production of alcoholic drinks (spirits) Other production facilities exist, but are currently not in use Rbl. M.: 43,000; 800</p> <p>F02-02 Druznaya Gorka Laboratory Equipment (100% state-owned) 188233 Druznaya Gorka, Gatschina District Manufacture of laboratory equipment, glass, quartz Rbl. M.: 11,810; 640</p> <p>F02-03 LOGP Lenpharm (100% state-owned) 198320 St. Petersburg Wholesale trader in pharmaceuticals and optical glass Rbl. M.: 53,400; 203</p> <p>F01-02 AOOT Tolmatshovo-ShBIMK (15% state-owned, purchase of privatized shares possible) 188262 Tolmatshovo, Luga District Manufacture of reinforced concrete and metalwork Rbl. M.: 24,793; 410</p>	<p>F01-03 Georgidrotechnika (33% state-owned, purchase of privatized shares possible) 188654 Stekiyanni, Vsevolozhsk District Manufacture of geological equipment, drilling equipment, water pumps, drinking water pumps Rbl. M.: 2,508; 145</p> <p>F01-04 Tosno Bus Factory (15% state-owned, purchase of privatized shares possible) 187024 Novolissino, Tosno District Manufacture and repair of public transport vehicles and lorries Market leader within the Oblast Rbl. M.: 16,712; 431</p> <p>F01-05 AOOT Lakond (50% state-owned) 187416 Novaya Ladoga, Volchov District Manufacture of various types of electrical condensers Rbl. M.: 5,490; 500</p> <p>F01-01 AOOT Elektromash (shares in the privatized company) 188900 Vyborg Manufacture of electrical equipment, transformers, electrical instruments, equipment for community services e.g. street cleaning machines Rbl. M.: 2,273; 174</p> <p>F03-02 AOOT Lushski GOK (shares in the privatized company) 188260 Luga Production of processed quartz sand Market leader within the Oblast Rbl. M.: 4,611; 50</p>	<p>F03-03 AOOT S.G. Roschal Paper Machinery Works (shares in the privatized company) 188350 Gatschina Manufacture of chopping machines, disc and pulping mills for the wood processing, cellulose and paper industries Rbl. M.: 2,906; 298</p> <p>F02-04 Sputnik Pig Farm (100% state-owned) 188671 Rachiha, Vsevolozhsk District Production and processing of pork meat Rbl. M.: 4,396; 139</p> <p>F03-04 AOOT Lodeinopolski KLPH (shares in the privatized company) 187710 Lodeinoye Polye Production of processed and unprocessed timber Rbl. M.: 6,918; 532</p> <p>F03-05 AOOT Kirishi Refrigeration Plant (shares in the privatized company) 187710 Kirishi Food retail and wholesale trading, refrigeration, ice production Rbl. M.: 7,795; 207</p> <p>F03-06 AOOT Starzi Conserve Factory (shares in the privatized company) 188540 Starzi Manufacture of food preserves and bottling of mineral water from own source Rbl. M.: 1,555; 55</p>	<ol style="list-style-type: none"> In accordance with its set task of selling state-owned shareholdings as well as those of the owners of privatized companies, the Leningrad Regional Property Fund, which has set up a commission for this tender, intends to offer shareholdings in the named enterprises for sale by tender in accordance with Russian law. The enterprises in which shareholdings are to be offered for sale have been divided into three groups according to type of sale, ownership rights, and deadlines for decision-making. The enterprises in the first group are numbered F01-01 to F01-05. These enterprises have not been completely privatized. The percentage of share capital owned by the state lies between 15 - 50%. The state shareholdings will shortly be offered for sale through privatization in accordance with Russian law. Information on the conditions for the investment tender that has already been carried out on behalf of these companies is available from the Property Fund. The second group is made up of the enterprises numbered F02-01 to F02-04. These companies are being prepared for privatization and are currently state-owned. Bidders wishing to participate in the privatization of these enterprises are invited to submit offers to the tender commission at the Property Fund. The extent of the shareholdings to be offered and additional conditions pertaining to this tender will be determined in accordance with Russian law and in consideration of the offers received. The third group is made up of the companies numbered F03-01 to F03-06. These enterprises are joint stock companies which have been completely privatized. These companies are prepared to transfer quantities of shares - either by means of the sale of existing shares or by issuing new shares - to the successful bidders in amounts to be mutually agreed. Additional negotiations with enterprises and shareholders regarding the purchase of further shareholdings in excess of the stipulated amount are not the subject of the current tender and the bidder must carry out such negotiations separately. In the case of enterprises in the third group, offers may be submitted for production units or parts of companies which can be separated from the whole. The valuation of such units or parts of companies will depend upon the extent to which the assets of the enterprise may legally be divided. The tender is open to the general public, and all interested bidders are entitled to present an offer in accordance with Russian law. The offers submitted under the current tender will be judged by the tender commission on the basis of the amount of investment to be made in accordance with the company's business concept and the accompanying investment guarantees. Both items must be included in the offer. The company concept proposed by the bidder may contain the redefinition of individual production areas or of the whole enterprise based on economic principles. Those persons interested in bidding are invited to contact the Property Commission in order to inform themselves in more detail about the enterprises before submitting a bid. Documentation (in the form of company profiles and other accessible information relating to the tender) is available free of charge from the tender office. Upon request, the Property Fund will issue bidders with a written invitation to visit any of the above enterprises with a view to gaining further information as to their business activities and development prospects. All information on the enterprises provided by the Property Fund or by the enterprises themselves is to be considered confidential and will only be handed over to the bidder upon receipt by the Fund of a written confidentiality agreement. Offers shall be made in written form in a sealed envelope on which only the name of the company under offer should be given. Bidders must request additional information on the procedures for the submission of bids for enterprises in Groups 1 and 2. The bidder must submit all necessary personal information in their offer (in the case of companies this must include an extract from a state register of companies and confirmation of the right of the negotiating party to represent the company). In the case of the enterprises in Group 1, the bidder must request separate documentation from the Fund before submitting a bid. The deadline for the receipt of bids is July 15th, 1996, at 5:00 p.m. local time at the offices of the tender commission at the Leningrad Regional Property Fund. Following submission of the bids and for a period of the time to be set by the tender commission, the bidder has the right to define the bid further. The length of time will in each case depend upon the group to which the enterprise belongs. The above enterprises are offered for sale by tender in accordance with Russian civil, company and privatization law. Bidders can receive copies of these laws on request.

For further information (company profiles, information on the Leningrad Oblast, visit reports) please contact:



LENINGRAD REGIONAL PROPERTY FUND
Smolni Ul. 3
193311 St. Petersburg, Russian Federation

Tel. ++7812 - 274 96 87 Fax ++7812 - 274 46 08

J.N. Jakovlev, Chairman
Leningrad Regional Property Fund
Office hours: Monday to Friday from 9:00 to 17:00 local time.

This tender has been organised with assistance from the Ministry of Finance of the Federal Republic of Germany and the Leningrad Oblast Administration

سكا من الامم

551 من الاصل

OTE sale sharpens investor appetite

By Kerin Hope in Athens

The launch of OTE, Greece's state telecoms monopoly, on the Athens stock exchange last week is expected to sharpen investor appetite for more large public offerings this year.

The Socialist government plans several more offerings this year but the timetable may be affected by uncertainty over meeting inflation and deficit reduction targets.

A jump in inflation, which reached 9.1 per cent in March, has slowed cuts in interest rates on government paper.

One Athens-based analyst said: "Confidence in the overall economic outlook must remain strong in order to keep up momentum for more listings."

Shares in OTE closed at Dr4,320 on Friday, the first day of trading, after quickly reaching the 8 per cent ceiling on daily price movement set by stock exchange authorities.

Greek mutual funds, which had to compete for shares with international institutions during its last month's public offering of 8 per cent of OTE's equity, were aggressive buyers, according to local brokers.

The shares' strong performance gives OTE a market capitalisation of Dr1,720bn (\$7.1bn), four times larger than the next largest Greek stock.

OTE shares are expected to make up 10 per cent of the house index when it is revised next month.

OTE forecasts a 27 per cent increase this year in pre-tax profits to Dr260bn with sales up 17 per cent to Dr650bn.

The company is expected shortly to name an adviser on setting up a mobile telephony network using the DC180 system. Shortlisted contenders are

CS First Boston and a group led by Alpha Finance, the investment-banking arm of Alpha Credit Bank, Greece's largest private bank.

OTE is looking for an international partner to take a 20-25 per cent equity stake in the Dr400bn project.

OTE is only the second state corporation to be floated on the Athens stock exchange, following the listing three years ago of 30 per cent of Hellenic Sugar, the monopoly sugar producer, which raised Dr7bn.

However, investors' fears that a listing of OTE's size

would swamp the Athens bourse appear to have been replaced by impatience for another large public offering.

The next corporation slated for flotation is DEP, the holding group for state-owned oil and gas producers. The state plans to raise some Dr25bn by listing 10 per cent of the company at the end of the year.

National Bank of Greece plans a Dr50bn rights issue this year, while plans are under way for privatising several state-controlled banks listed on the Athens bourse through capital increases.

Banamex hails start of 'return to normal'

By Daniel Dombey in Mexico City

Banco Nacional de México (Banamex), Mexico's largest bank, last week hailed first-quarter results as "the beginning of a return to normal operating conditions".

The bank posted net income of 575m pesos (\$75m) for the first quarter, less than the 670m pesos recorded in the fourth quarter, but comparing favourably with 422m pesos in the same period last year.

NEWS DIGEST

Mercedes may make more cars abroad

Mercedes-Benz, the German luxury car and truck maker, could be making between 20 and 25 per cent of its cars abroad within the next 10 years compared with about 5 per cent at present, Mr Helmut Werner, chairman, said. In an interview with Der Spiegel, the German news magazine, Mr Werner said the company, which is a subsidiary of Daimler-Benz, was negotiating about production in China, Korea and Vietnam.

Meanwhile, Daimler-Benz Aerospace (Dasa), another Daimler-Benz unit, said it was negotiating with several interested parties about the sale of its Dornier Luftfahrt turbo-prop aircraft business. Dasa declined to comment on a report in Der Spiegel that Fairchild Aircraft of the US was negotiating to take over Dornier's Do328 30-seater aircraft project.

Peter Norman, Bonn

Austrian Airlines in the black

Austrian Airlines (AUA) reported its first operating profit in five years at Sch64.9m (\$8.1m) for 1995 compared with a Sch192.3m loss for 1994. Group net income leaped from Sch8.9m to Sch306.4m. The figures for both years were boosted by the legally required reserves reductions. Profit from financial investments contributed Sch15m to net income. Turnover jumped 20.5 per cent from Sch11.1bn to Sch13.5bn because of higher passenger volumes. But average ticket prices continued to fall, and the passenger load factor edged down from 61.4 per cent to 59.7 per cent. Unit costs dropped 14 per cent.

Eric Fryx, Vienna

First-quarter fall at SSAB

Weak demand and falling prices in west European steel markets hit first-quarter profits at SSAB, Scandinavia's biggest steel producer, driving pre-tax earnings down 28 per cent in the first three months from SKr1.7bn to SKr544m (\$128m). Mr Leif Gustafsson, chief executive, expected steel consumption in western Europe to decrease during the year, reducing prices further. He said the combination of these factors with a strengthening of the Swedish krona would result in a fall in steel profit margins. Turnover in the first quarter fell from SKr4.53bn to SKr4.77bn, with lower prices and volumes cancelling out the effect of acquisitions.

Hugh Corry, Stockholm

Japanese stores mixed

Damage caused by the Kobe earthquake hit parent current earnings at Daimaru, the Japanese stores group in 1995-96. Earnings fell 17 per cent to Y3.2bn (\$300m) on sales down 2.1 per cent to Y506.5bn. Net profits totalled Y5.1bn against losses of Y9.9bn a year earlier. For the 12 months to next February, the retailer expects recurring profits to rise 30.6 per cent to Y4.5bn on a 0.3 per cent increase in sales to Y510bn.

Takashimaya, another stores group, saw sales and profits rise following reorganisation. Unconsolidated recurring profits rose nearly four-fold to Y10.3bn while sales jumped 26.4 per cent to Y885.5bn. After-tax profits doubled to Y6.1bn. The company expects recurring profits to rise 28.5 per cent in the current year to Y13.2bn on sales of Y1,088.3bn, up 22.9 per cent.

Emiko Terazono, Tokyo

UBS in Amsterdam

UBS Securities, the trading arm of Union Bank of Switzerland, will tomorrow become the first "remote" member to deal in equities on the Amsterdam Stock Exchange without a physical presence in the Netherlands.

George Graham, Banking Correspondent

Banco Santander buys 3% stake in Endesa

By Tom Burns in Madrid

Banco Santander, Spain's leading banking group, has paid Pta50bn (\$400m) to become the biggest single private shareholder of Endesa, the dominant domestic electrical utility which is 66 per cent government-owned.

The acquisition of the 3 per cent stake marks a surprise departure from Santander's traditional strategy, which has been to divest from industrial assets and to concentrate on building up its presence as a diversified and increasingly internationally-based financial institution.

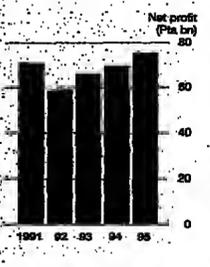
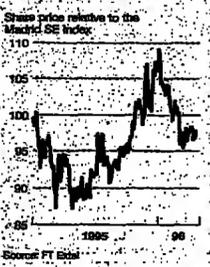
The development also brings Santander into an informal alliance with fellow domestic bank Banco Hispano Americano (BCH), which owns 1 per cent of Endesa and is due to increase its stake to 3 per cent. Santander, which has been

discreetly buying Endesa shares on the market over the past months, said it acquired its stake because Endesa was a profitable and well managed company with complementary investments to Santander in Latin America and in the telecommunications sector.

Endesa raised consolidated net profits nearly 13 per cent to Pta132.7bn in 1995, a year when it spent a total of Pta32bn to acquire an electricity distributor in Argentina and a generating plant in Peru. Santander's wide-ranging interests in Latin America, which include banking units in Peru and Argentina, were underlined earlier this month when it created Chile's biggest financial institution in a carefully-crafted merger and acquisition move.

By becoming a core shareholder of Endesa, which has the biggest weighting in the domestic stock market, San-

Banco Santander



tander has put itself in a position to lead further disposals of state-owned stock in the utility. A disposal is considered likely in the coming months to help the government reduce the budget deficit.

Analysts however suggested that Santander's acquisition of Endesa shares could be part of a more ambitious plan that would bring the banking group alongside an ongoing alliance between the utility and BCH.

This alliance, which was announced last summer and has still to be fully implemented, involves significant assets swaps between Endesa and BCH and the pooling of their industrial interests.

In return for BCH's purchase of Endesa shares, Endesa has bought 5.5 per cent of Cepsa, Spain's second-ranked energy group which is controlled by BCH, and both BCH and Endesa have pooled their stakes in a number of interests, including Airtel, Spain's second mobile telephone operator.

Santander owns a 13.7 stake in Airtel, the same as BCH, and Endesa has 7.8 per cent of the cellular group. Should Santander choose to return to its role of industrial investor with a select portfolio of high-yielding assets, its path would be eased by linking into the long-term strategy of Endesa and BCH.

EdF sidelines Sydskraft in battle for Graninge

By Greg Mcivor in Stockholm

A new round in the increasingly frenetic and international struggle for pre-eminence in the newly-deregulated Nordic power market saw Electricité de France, the French state energy utility, effectively win a battle against Sydskraft, Sweden's second-largest supplier, for control of Graninge, the Swedish power company.

At the end of a week in which shareholdings in several Swedish power suppliers have

changed hands on a near-daily basis, EdF said it had reached agreement with the Versteeg family, which owns 19 per cent of Graninge, that the two would in future vote together on management issues.

The deal sidelined Sydskraft, which had the previous day bought a 20 per cent share in Graninge, Sweden's sixth-largest energy supplier.

At the same time, Preussen Elektra, the German power group, disclosed on Friday it had purchased a 12.4 per cent

stake in Graninge for around SKr1.2bn (\$170m). The German company, which also owns 17.4 per cent of Sydskraft, said the deal was a deepening of several years' involvement in the Swedish power sector.

Meanwhile, Imatran Voima (IVO), the state-owned Finnish energy group, increased its holding in Gullspang Kraft, a regional Swedish power supplier, from 34 to 38.7 per cent for SKr455m. The stake gives IVO 50.1 per cent of the voting rights in Gullspang Kraft.

The latest burst of activity follows the liberalisation of the Nordic power industry at the turn of the year, which created the world's largest deregulated electricity market.

The IVO move was seen as a direct challenge to Sweden's state-owned and biggest electricity producer, Vattenfall, which itself has moved into the Finnish market. Vattenfall responded immediately by buying a 10.7 per cent stake in Gullspang Kraft for SKr388m.

Mr Tom Allerbrand, Vatten-

fall chief financial officer, said: "We want, and we intend, to play an active role in this very rapid restructuring of the Nordic market. We just can't sit on the sidelines and watch while this goes on."

Mr Olof Wikström, Gullspang Kraft chief executive, said there was space for Vattenfall alongside IVO. "We have good relations with Vattenfall and moreover they will have a very limited influence. There will not be any practical problems," he stated.

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CLASS MEETING OF KLEINWORT BENSON SELECT FUND - BRITISH FUND CONVENING NOTICE

As the first class meeting convened for 26th March 1996 was not quorate, a second class meeting is to be held at which those Shareholders present or represented by proxy will form a quorum.

Shareholders of Kleinwort Benson Select Fund - British Fund are invited to attend a second class meeting of Kleinwort Benson Select Fund - British Fund, to be held at the offices of Banque Générale du Luxembourg, 50 Avenue J. F. Kennedy, L-2951 Luxembourg, on the 8th May 1996 at 3.00 pm with the following agenda:

To approve the termination of Kleinwort Benson Select Fund - British Fund with effect 31st March 1996 or such other date as may be determined by the class meeting (the "Effective Date") and redemption of the Shares of the shareholders at a price corresponding to the Net Asset Value per Share determined on the last Valuation Day preceding the Effective Date.

Decisions shall be carried if approved by 2/3 of the shares present and/or represented at the class meeting. Shareholders may vote by proxy, which should be mailed to the Company's Transfer Agent, Banque Générale du Luxembourg, at 50 Avenue J. F. Kennedy, L-2951 Luxembourg, so as to arrive no later than 3rd May 1996, or faxed by such date to Banque Générale du Luxembourg (352) 4242-0500.

In order to participate in the class meeting the holders of bearer shares must deposit their shares at the offices of Banque Générale du Luxembourg, 50 Avenue J. F. Kennedy, L-2951 Luxembourg, by no later than 5 p.m. on 3rd May 1996.

*The Board will suggest an Effective Date of 14th May 1996.

The Board of Directors

Orix Ireland Finance PLC
 Yen 10,000,000,000
 Fixed and Floating Rate
 Guaranteed Notes 1996

The notes will bear interest at 0.87891% per annum from 22 April 1996 to 22 July 1996. Interest payable on 22 July 1996 will amount to Yen 22,217 per Yen 10,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

SWEDBANK
 (Sparbanken Sverige AB)
 US\$150,000,000
 Undated Subordinated
 Floating Rate Notes

Notice is hereby given that the notes will bear interest at 7.3584% per annum from 22 April 1996 to 22 October 1996. Interest payable on 22 October 1996 will amount to US\$372.91 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

GEC Alstom and Siemens in train venture

By Stefan Wegst, Industrial Editor

GEC Alstom, the Anglo-French engineering group, and Siemens of Germany are joining forces to market high-speed trains in Asia and other markets outside Europe and North America.

They are opening joint offices in Taipei and Beijing to co-ordinate bids for projects including the planned Beijing-Shanghai high-speed rail link.

Most of the work from any contracts won by the joint offices will go to GEC Alstom, which has already achieved commercial success in Asia, having last year won an order for South Korea's high-speed line between Seoul and Pusan.

The joint marketing agreement, signed recently after more than six months of talks, could help rationalise resources in the very demanding market for high-speed trains, in which there are only three big international competitors. These are GEC Alstom, a joint venture between Britain's GEC and Alstom of France; Siemens; and a Japanese consortium including Mitsubishi Heavy Industries.

GEC Alstom builds the TGV, France's flagship high-speed train; a partnership between Siemens and AEG, the engineering affiliate of Daimler Benz, is responsible for the German Inter City Express; and the Mitsubishi consortium builds Japan's bullet train.

All the producers have found it difficult to sell their trains outside their home countries. GEC Alstom has had the greatest international success,

having supplied trains to Spain as well as South Korea.

GEC Alstom said the venture would enhance the two companies' competitiveness in markets throughout the world, particularly in Asia.

The division of work would reflect the companies' existing relative positions in Asia and other markets outside Europe and North America, said GEC Alstom executives. In Europe and North America, the two companies plan to continue to compete with each other.

The pooling of resources is a response to the long lead times involved in high-speed train contracts, which are often preceded by negotiations lasting up to 10 years. However, success brings large orders creating years of work.

The \$2.1bn order won last year by GEC Alstom for 48 TGV trains for the Seoul-Pusan link will not be completed until 2002. It is already preparing for possible orders for trains for a second line from Seoul to the south western part of Mokpo, which may not be built until after 2005.

However, the chances of winning a second Korean contract will be limited by the fact that under last year's agreement the company is transferring technology to a Korean consortium of the Hyundai, Daewoo and Hanjin groups. The contract also allows the Korean consortium to market trains in other Asia countries.

GEC Alstom hopes further advances in technology will mean potential buyers may still prefer its European-made trains to those produced in South Korea.

Rothschild to advise Slovakia on telecom sale

By Vincent Boland in Prague

N.M. Rothschild, the UK investment bank, has been selected by the government of Slovakia to advise on the initial phase of the country's flagship privatisation - that of Slovenské Telekomunikácie (Slovak Telecom), the state telephone operator.

Rothschild was chosen from a shortlist of four banks to advise on how the privatisation should proceed and on what regulatory and price changes need to be made. Options include introducing a foreign strategic partner to Slovak Telecom, as the Czech and Hungarian governments have done for their state operators, or selling a stake either in an international public offering or directly to institutional investors.

The first phase of the project is being funded by the World Bank and is expected to be completed by September 30. The government will then decide which option to pursue. Officials have previously indicated that a stake of between 15 and 25 per cent of Slovak Telecom will be offered for sale, possibly early next year.

Rothschild's mandate does not extend to the second phase but it is almost certain to win that role too. It has wide experience in telecoms privatisation and advised Hungary on the sale of Matav in 1993.

Rothschild was chosen by Slovakia ahead of Deutsche Morgan Grenfell, Union Bank of Switzerland, and J.P. Morgan, which advised the Czech government on the sale of a stake in SPT Telecom last year. The bank has also secured a role in the task for Conslim, an investment banking joint venture it formed in 1994 with Československá Obchodní Banka, the Prague-based bank partly owned by the Slovak state.

The privatisation of Slovak Telecom is part of a \$1.5bn investment and modernisation programme for the country's telecommunications infrastructure over the next five years, which was approved by the government last December. The aim is to increase the number of lines from 20.7 per 100 people currently to 35/100 by the end of the decade.

Much of the finance for the programme will be raised by the sale of the stake, the entire proceeds of which will go to Slovak Telecom, officials said.

NEWS DIGEST

Strike at GM hits Hughes Electronics

The 17-day strike at General Motors resulted in a 68.10 per cent fall in operating earnings at Hughes Electronics, its electronics and aerospace subsidiary, to \$88m in the first three months of this year. The strike is also likely to cause a sharp decline in earnings for the parent group, which are released today.

Revenues in Hughes's automotive electronics business fell 15 per cent to \$1.5bn and operating profit by 37 per cent to \$158m. Meanwhile, the growth of DirecTV, its satellite television venture, and higher satellite transponder sales, led to a 45 per cent rise in revenues from telecommunications and space businesses, to \$838m. Operating profit climbed by \$43m to \$78m. Following a \$72m gain on the sale of a stake in DirecTV, Hughes reported a 18 per cent rise in overall net income to \$312m, or 78 cents a share.

Richard Waters, New York

Westinghouse makes provisions

Westinghouse Electric, the US industrial conglomerate in the throes of transforming itself into a media group, announced further steps aimed at putting past troubles behind it, resulting in after-tax charges of \$618m. The charge, half of which is due to accounting and other non-cash moves, will still leave Westinghouse with a net gain of \$50m to \$60m as shareholders funds for the first quarter of this year, because of the sale of its defence electronics business and the Knoll furniture company.

The actions announced on Friday include a plan to sell its environmental services business, which the company predicted would bring cash proceeds of \$300m-\$500m; a reserve to cover some old litigation issues; and three accounting changes, which between them will cause \$188m of the after-tax charge.

Richard Waters

Restructuring limits Kellogg

Kellogg, the US breakfast cereal company facing the threat of a price war in its domestic market, reported a 5 per cent increase in net profits to \$206.1m in the first quarter. The company said the increase would have been 11 per cent without the continuing costs of a restructuring announced last year. Last week, Philip Morris's Post cereal subsidiary slashed prices by 20 per cent in a bid to boost market share. Kellogg has not so far responded. It has been suffering an increasing encroachment into its market by cut-price, private label cereal products. Kellogg said revenues rose 4 per cent in the latest quarter to \$1.79bn and global volume also rose 4 per cent. Earnings per share were up from 88 cents to 96 cents.

Richard Tomkins, New York

MIM in Highlands Gold offer

MIM, the Queensland-based mining group, is offering to sell its 65 per cent stake in Highlands Gold, the listed gold mining and exploration company, to existing MIM shareholders at 65 cents a share. The sale would raise around A\$238m for MIM and give it a net profit of around A\$163m on the holding.

MIM shareholders will be offered one Highlands share for every five MIM shares they hold. Those who do not wish to take up the offer will be able to sell their rights on the market. The offer is fully underwritten by ANZ McCaughey. Shares in both companies had been suspended on Thursday, ahead of Friday's announcement. After the announcement, Highlands shares closed five cents lower at 69 cents, only four cents above the offer price. MIM closed four cents higher at A\$1.92.

The sale came as no surprise to analysts. MIM has been steadily winding back its "non-core" and investment interests, and there has been growing speculation that the Highlands stake could be the next to go. Mr Nick Stump, MIM chief executive, said the sale would provide extra funds for new projects, but would also allow MIM shareholders to "gain value out of MIM's investment in Highlands".

Nevertheless, independent directors of Highlands said the sale plan had been devised independently and without reference to the Highlands board.

Nikki Tsui, Sydney

The shareholders of SANDVIK AKTIEBOLAG

are hereby called to the Annual General Meeting of the Company to be held on Friday, May 10, 1996, at 2:00 p.m. at Jernvallen, Sandviken, Sweden.

NOTIFICATION

Shareholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone, +46 (0)26 26 10 81 or telefax, +46 (0)26 26 10 85. Such notification must be received by Sandvik AB not later than 3:00 p.m. Monday, 6 May 1996. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) as of Tuesday, 30 April 1996. Shareholders whose shares are registered in the name of a trustee must have temporarily re-registered the shares in their own name not later than 30 April 1996.

AGENDA

1. Matters which, in accordance with the Swedish Companies Act and the Articles of Association of the Company, must be considered at an Annual General Meeting, including: presentation of the Annual Report and Auditors' Report, adoption of the Parent Company's Income Statement and Balance Sheet and the consolidated accounts, discharge of the Board members and President from liability, as shown in the Balance Sheet adopted by the Meeting, approval of fees to be paid to the Board of Directors and auditors, and the election of Board members and auditors.

2. Change in §6 of the Articles of Association whereby new regulations introduced into the Swedish Companies Act have increased the responsibility of publicly listed companies to regulate in their Articles of Association preferential rights pertaining to increases in share capital. The Board of Directors has proposed that §6 shall now read as follows:

"The Company's shares may be issued in three series, Series A shares, Series B shares and Series C shares. Series A shares shall be entitled to one vote each. Series B and Series C shares shall be entitled to one-tenth of a vote each. Series C shares are not entitled to dividends.

"If the Company decides to issue new Series A, B or C shares through a cash issue, owners of Series A, Series B and Series C shares shall have preferential rights to the subscription of new shares of the same type in relation to the number of shares already owned (primary preferential right). Shares not subscribed to on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares offered in this manner is insufficient for subscription based on subsidiary preferential rights, the shares shall be distributed in relation to the number of shares already held and, to the extent that this is not possible, by lottery.

"If the Company decides to issue new shares of only one or two of the various share series, all shareholders, irrespective of which share series they own, shall have preferential rights to the subscription of new shares in relation to the number of shares already held.

"The aforementioned stipulation shall not constitute any infringement on the possibility to make a decision regarding a cash issue in which the preferential rights of shareholders are waived.

"In the event of an increase in share capital through a bonus issue, new shares of each series shall be issued in relation to the number of shares of the same series already held. In such cases, shares of a specific series carry entitlement to new shares of the same series. The aforementioned stipulation shall not constitute any infringement on the possibility, following the requisite amendment in the Articles of Association, to issue shares of a new series through a bonus issue.

"Effective 1 September 1996, Series C shares shall be converted to Series B shares without any specific formal action.

"Series A shares may be issued in a maximum amount of SEK 3,270 million, Series B shares in a maximum amount of SEK 2,170 million and Series C shares in a maximum amount of SEK 30 million."

DIVIDEND
 The resolution of the Annual General Meeting with respect to the dividend shall specify the date on which the share register maintained by VPC (Swedish Securities Register Centre) and the related list of assignments, etc. are to be closed. The Board of Directors proposes Wednesday, 15 May 1996 as the record date for payment of the dividend. If the Meeting approves this proposal, it is estimated that dividend payments will be made on Thursday, 23 May 1996 to persons recorded in the share register and related list.

PROPOSAL TO THE GENERAL MEETING
 Through the Chairman of the Board of Directors, shareholders representing 50% of the votes in Sandvik AB have presented the following proposal regarding election of the Board of Directors and auditors:

Members of the Board: Rune Andersson, Percy Barnevik, Per-Olof Eriksson, Claes Åke Holmström, Lars-Ove Håkansson, Manfrid Sahlin and Sven Ågrup.
 Deputy member: Lars Ivar Hising
 Auditors: Authorized Public Accountant Lars Svantezonmark, Authorized Public Accountant Bernhard Öhrn
 Deputy Auditors: Authorized Public Accountant Peter Markfors, Authorized Public Accountant Åke Nilsson.

Sandviken, April 1996
 SANDVIK AKTIEBOLAG: (publ)
 The Board of Directors



Every day, we help thousands of people like Zoe fight cancer.

Give people with cancer a fighting chance
 Over 90% in every £1 donated goes directly into our vital research
 I would like to make a donation of £
 Cheques payable to: Imperial Cancer Research Fund
 or charge £
 to my Access/Visa/Amex/Debit/Charity Card No.
 Expiry Date: / / Signature: _____
 Mr/Ms/Ms/Ms/Ms
 Address: _____
 Postcode: _____
 Please return your donation to:
 Imperial Cancer Research Fund
 FREEMPOST WC4A 06G/3
 London WC2A 3BR UK FAX: _____

GIVE US A STAPLE

And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer)

Cheque amount £.....
 made out to "CRMFP (F8)"
 Please send to:
CRMFP FREEPOST
LONDON SW3 3BR
 THE
Macmillan
 APPAL
 Cancer Relief Macmillan Fund
 exists to support people with cancer and their families.
 Regd. Charity No. 261017

ANNUAL RESULTS 1995

CIC Union Européenne de CIC

The Board of Directors of Union Européenne de CIC met on April 16, 1996 under the Chairmanship of Bernard Yoncourt to review the CIC Group's consolidated financial statements for 1995.

CIC GROUP INCOME

Group net income (excluding minority interests) advanced 36.8% over the previous year to FRF 625 million. Both business volumes and gross operating profit continued to grow in

1995. Key factors behind this growth were the network's greater responsiveness to market changes (thanks to the structure of the Group), and strong risk management.

CIC CONFIRMS ITS COMMERCIAL DRIVE

With total loans outstanding up 7%, at FRF 232 billion, the Group's activities grew satisfactorily in 1995, despite slack business conditions. This positive trend was visible in all target markets, but especially so in long-term lending: equipment financing for professional and corporate clients of regional banks rose 9.3%, and home loans to individual customers increased by 7.5%. Customer deposits increased 11.9% to FRF 206 billion, resulting from strong growth in demand deposits at year-end (up 12.5%), and a 17.1%

rise in special term savings accounts. Sales of life insurance products enjoyed robust growth, with SOCAPI increasing its funds under management by 23.4% to FRF 44.2 billion.

Fee income improved by 5%, as healthy growth in bank charges generated through the branch network (11%) offset reduced fees in last year's sluggish financial markets (-12%). Although margins shrank yet again, net banking income was up 1.5% relative to the previous year, to FRF 16.6 billion.

TIGHTENS OPERATING COST CONTROLS

A 352 person reduction in the work force, and no change in other expense

items, left operating costs at exactly the same level as last year (FRF 12.9 billion).

BOOSTS GROSS OPERATING INCOME

Gross operating income rose 6.6% to FRF 3.7 billion.

MONITORS RISK EXPOSURE CAREFULLY

The Group kept a close watch on its real estate risks, raising their provisioning ratio to 62%. Satisfactory risk management and a judicious

spread of other risks helped to reduce total allocations to provisions by 1.6% to FRF 2,428 million, bringing total coverage of doubtful debts to 59%.

REGISTERS SIGNIFICANTLY INCREASED INCOME

Income from ordinary operations, before tax, increased for the fourth consecutive year, rising 7.5% relative to 1994, to FRF 1,009 million. The tax

charge was down 31% as a result of tax-consolidation of Group subsidiaries. Group net income (excluding minority shareholders) totaled FRF 625 million.

In FRF million	1995	1994	1995	1995/1994 CHANGE
Net banking income	16,788	16,319	16,581	1.5%
Operating expenses	12,732	12,885	12,896	0.1%
Gross operating income	4,056	5,434	3,685	6.8%
Operating provisions	(-3,467)	(-2,468)	(-2,428)	-1.6%
Group net income (excluding minority interests)	580	457	625	36.8%

UNION EUROPÉENNE DE CIC PARENT COMPANY INCOME

The Board of Directors approved the parent company financial statements of Union Européenne de CIC, the Group's lead bank and investment bank, for 1995. These show a profit of FRF 155 million.

The Board of Directors decided to propose to the forthcoming Ordinary Shareholders' Meeting, convened for May 29, 1996, to declare a net dividend of FRF 5.40 per share, and of FRF 9 on each preferred non-voting (or D) share.

CIC Union Européenne de CIC

COMPAGNIE FINANCIÈRE DE CIC ET DE L'UNION EUROPÉENNE
 Banque régie par la loi du 24 janvier 1994
 4, rue Gallien 75107 Paris Cedex 02 - Tél.: (1) 46 70 00



سكيتا من الاصل

FINANCE

FACES

Collins swaps Mumm for Whitbread

Never underestimate the call of the sea, writes Richard Tomkins. After 25 years at the US mutual fund group T. Rowe Price - the last 13 of them as president and chief executive - George Collins, 55, is quitting to indulge his passion for sailing.

In spring next year, Collins will be leaving the competitive world of investment management to take on a different challenge: skippering a boat in the Whitbread round-the-world yacht race, one of the most gruelling events in ocean racing.

Collins has been sailing since he was 16 and bought his first boat at 33. Conveniently, T. Rowe Price is based in Baltimore on the shores of Chesapeake Bay, giving him easy access to the Mumm 30 he races. For the big event, he is having a Whitbread 60 built to a Bruce Farr design.

Collins is used to challenges, having turned T. Rowe Price into one of the biggest and best-performing mutual fund companies in the US. And as Collins says, skippering a boat is not that different from running a company. "Chief executive officers are used to leading, setting an example, creating a vision and creating a culture. Skippers do all that."

But Collins is not planning to sail off into the sunset for good. He is starting to think about what to do when he gets back. "I am not going to vegetate," he says. "But I do know that I don't want to work 80-hour weeks any more."

Peter lane turns Red Adair

Peter Lane, marketing director at Lloyd's of London, is turning into the insurance market's Red Adair, writes Ralph Atkins. For the past six weeks he has taken the additional title of managing director North America and, living mostly out of suitcases, has been fighting a series of legal fires started by US securities

regulators which threaten to undermine the insurance market's recovery plan.

The most important court case - in California - is due to be heard in the next two weeks. Elsewhere, Mr Lane has managed to negotiate "standstill" agreements, allowing Lloyd's time - in his words - to "educate" local regulators about how Lloyd's works. But California poses a big headache for Lloyd's because state securities regulators are trying to freeze at least part of \$10bn held in trust to support US underwriting.

If this seems an unusual role for a marketing manager, it is only half the story. Since joining Lloyd's two years ago from Shell International Petroleum, Mr Lane has also been given responsibility for overhauling Lloyd's Aviation - the long-adjunct subsidiary left behind when the insurance market sold its publishing operations, including the Lloyd's List newspaper, last year. He is also, bizarrely, Lloyd's official representative in Belgium.

In between, Mr Lane has taken responsibility for organising countless client "reassurance" briefings, aimed at countering the hostile press coverage Lloyd's receives about its financial security. Aged 50, he has a reputation as an exceptionally self-confident, aggressive manager also blessed with a fair measure of charm. He argues there is a logic to his various roles which come under the umbrella of developing Lloyd's internationally. Moreover, he adds, "I was one of the few people in the centre with significant external business experience."

Tackling Lloyd's US difficulties takes much more than hard work and a commercial mind, however. It also requires diplomacy in dealing with politicised regulators - and hundreds of embittered, loss-making US Names, individuals whose assets have traditionally supported Lloyd's.

Mr Lane is not afraid to wield sticks. He is particularly annoyed because California's securities regulators have stopped Lloyd's communicating with local Names about its recovery plan. "This is America - where freedom of speech, and freedom of information are supposed to be important. It is outrageous."

Mr Lane is confident the problems can be sorted out before the summer, when



Peter Lane: the marketing director at Lloyd's has been fighting a series of legal fires started by US securities regulators

Lloyd's recovery plan is due to be implemented. But as one of his colleagues remarks: "He has an exceptionally high opinion of himself. Whether that is justified, only time will tell."

Chelsea fan far from blue

Celebrations are in order at BZW, the investment banking arm of Barclays Bank, which last week topped EuroMoney's league table of euromarket loan arrangers for the first time in three years, writes Antonia Sharpe. Ironically, the man who made it happen, Tim Ritchie, was on business in

the US and was only made aware of the achievement by a flurry of phone calls from excited colleagues in London.

The loan which propelled BZW to the top - a \$2.5bn credit facility for Railtrack, the British rail network which is about to be privatised - is the latest example of how Ritchie is realising BZW's ambition, in the words of Graham Pimlott, chief executive of merchant banking, "to raise capital for key clients around the world."

Other high-profile deals in which BZW has been involved since Ritchie, 40, became the London-based head of syndications and loan distribution in late 1994, include the \$2.5bn facility which bankrolled Granada's takeover of Fortis

Ritchie, who joined Barclays in 1978 as one of its first graduate recruits, was sent to New York in 1981 where, over the next 13 years, he developed a reputation as a keen but perceptive loans syndicator.

Ritchie's long sojourn in the US, a country he now regards as his second home, has conditioned both his professional and personal life.

His success in establishing Barclays as one of the leading foreign banks in the competitive US loans market made him the obvious choice when it sought a "strategic brain" to pull its loan distribution activities together on a global basis, and to manage the sensitive cultural task of transferring the bankrolled Granada's takeover of Fortis

the investment bank.

Married to an American, Ritchie speaks with a slight American twang and although he is still loyal to Chelsea, the London football club, he has become a staunch supporter of the New England Patriots football team and baseball's Boston Red Sox.

Chinese whispers

Anthony Neoh has the calm, exquisite manners of an Anita Brookner character, but the man who will lead Hong Kong's top securities watchdog through the transition is no soft touch when it comes to regulation, writes Louise Lewis.

Last week he announced plans to tighten regulations as part of a bigger move to consolidate and rationalise existing securities legislation. Key among those proposals is a move to bring some banks which engage in securities trading into the orbit of the Securities and Futures Commission (SFC), which he chairs. Some banks object that this may be unnecessarily cumbersome.

Mr Neoh is no stranger to controversy. Earlier this year his endeavours to build up the international reputation and scope of the Hong Kong stock exchange triggered a row between the two regulators. Accusations of the SFC overstepping its role, a not uncommon charge, were again aired.

There had been hopes that Mr Neoh's previous ties to the stock exchange might have helped heal a long-standing rift between the two bodies: it was Mr Neoh who applied his legal mind to what was arguably one of the exchange's most brilliant (and complex) coups: arranging for Chinese enterprises to raise cash on the Hong Kong market. Since the rule book was written in 1993, these companies have raised some HK\$20bn in Hong Kong.

Whispers that Mr Neoh may have a political career ahead of him after China resumes sovereignty in July 1997 have all but disappeared, to the regret of some. The idea was probably a non-starter, although well-connected in Beijing and Hong Kong, he has steadfastly refused to become a China adviser.

Axe comes out for investment advisers

Maggie Urry in New York reports on a trend among pension funds in the US

The State of Connecticut astounded the US pension fund industry earlier this year by sacking nearly all of the 47 investment management companies between which its \$12.6bn pension fund was divided. Almost as shocking as the dismissals was the number of fund managers the state had accumulated.

Although a dramatic - and highly political - example, Connecticut's action is part of a more widespread trend in the US to reduce the number of managers employed by pension funds' plan sponsors, whether corporate or public.

This trend has important implications for the performance of funds, the fees they pay and for the investment management firms themselves. It is particularly marked among the largest pension funds: corporate funds of over \$1bn had an average of 17.2 managers in 1995, down from 19.3 in 1993, while public funds of \$1bn or more cut back from 21.5 in 1993 to 17.9 in 1995,

according to figures from Greenwich Associates, the investment management research firm.

It reverses a fashion of the 1980s, when funds appointed more and more specialised managers to handle different asset classes. There was a common view - encouraged perhaps by pension fund consultants, whose bread-and-butter work is advising on hiring managers - that a greater focus on smaller segments would improve investment returns.

As the universe of potential investments grew, it was sliced and diced into smaller portions, until managers were being hired to run portfolios with investment styles as detailed as, say, a small-capitalisation US equity fund with an actively managed, value approach.

Even a modestly sized pension plan could find itself with more than 10 different managers, says Mr John Webster, partner at Greenwich Associates, the investment manage-

ment research firm. The problem came when plan sponsors discovered that this specialisation did not bring the superior returns that they had expected. "The net

FUND MANAGEMENT

benefit from specialisation is hard to point to," says Ms Patricia Dunn, joint chief executive at BZW Barclays Global Investors.

She says that plan sponsors discovered that with every extra manager appointed, the chances of outperforming the market actually diminished, even before fees were taken into account. The different managers were often in effect cancelling each other out, making the total fund look more like an index fund.

Further, the rising number of managers made life harder

for the plan sponsors. Ms Gloria Reeg, head of consulting at Frank Russell, says sponsors had to ask themselves "how can I deploy active managers successfully, and how many managers can I manage?"

As companies cut head office staffs, sponsors found it increasingly difficult to cope. They had insufficient time to understand some of the complex investments specialised managers were making, and could be swamped by quarterly review meetings and the need to fire and hire managers.

On top of that, Ms Dunn says, the implication of the specialisation of managers was that the most important decision of all - asset allocation - fell to the plan sponsor. But they could not manage their funds' exposures when they had dozens of managers.

By cutting down the number of managers, and developing a stronger relationship with those that remain - a trend firms were brought in, to give a total of 22.

plan sponsor is much more in the driver's seat now than he or she was at the height of the manager specialisation craze or before in the balanced manager era."

The poor results were writ large in the case of Connecticut's pension fund. Mr Christopher Burnham, who became state Treasurer in January 1995, says the fund was consistently one of the bottom 5 per cent of all US large public pension funds. Had its money simply been put in an index fund in 1995, the fund would be worth \$2.3bn more today than it is, equivalent to a year's income tax receipts for the state.

The State employed 54 people to manage the managers. That number has been cut to 14. And of the 47 managers in place at the start of 1995, only two were retained with their existing mandates. Four firms were re-hired to manage different portfolios, and 16 new firms were brought in, to give a total of 22.

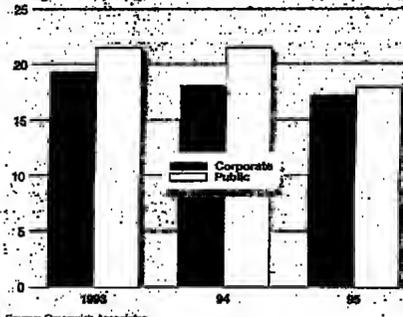
Even among these there has been some proliferation, Mr Burnham says. "We hired five active, small-cap, domestic equity managers and two small-cap index managers," he says, "if the five fall to outperform the index I will cut them". He adds, "Trimming his tab he continues, "they have a three-year time horizon. Five years would be more appropriate but I'm not for re-election in three".

It is too early to see any performance benefits from Connecticut's purge. But Mr Burnham claims, the state will save \$11.5m a year, largely in fees, which will in future be performance related. Even now, though, he says "Ford Motor Company has over twice our assets, half our managers and they do it with three people".

A feature of the trend to cut down on fund managers is a switch from active to passive or indexed management - as can be seen in the teams Connecticut has hired. If the active managers are failing to outper-

Investment managers used by funds in US

Average number used by funds over \$1bn



Source: Greenwich Associates

form the index, the thinking goes, plan sponsors may as well hire passive managers.

That helps improve returns further by reducing transaction costs and cutting fees. A large fund might pay an active equity manager 30 basis points a year but a passive manager less than 2 basis points. A smaller fund could cut its fees from 40 or 50 basis points to under 10.

As plan sponsors reduce the number of managers they employ, what will happen to the investment management firms? The answer must be that they will diminish in number, perhaps through mergers of specialist managers into groupings which can offer a range of asset classes. As Ms Dunn says, "there will always be a place for managers who perform consistently".

fortis AG

1995 dividend

	1995	1994	Increase in %
Gross dividend per share (BEF)	112	110	12 %
Dividend per share after deduction of withholding tax			
* ordinary shares (BEF)	84	74.25	13.1 %
* ordinary shares with "VVPR strip" coupons (in 1994: VVPR share) (BEF)	95.20	86.61	9.9 %
Number of shares	37,563,225	35,395,704	

Optional dividend

This year the Board of Directors will again propose that shareholders should have the option of receiving the dividend in cash or using it to subscribe to a capital increase. The precise arrangements for this capital increase, the decision of which was taken by the Board of Directors on 11 April 1996, will be announced on 28 May 1996.

Timing

28 May 1996	General Meeting of Shareholders: declaration of the dividend
6 June 1996	Determination of the issue price for the new shares
18 June 1996	Opening of the subscription period
27 June 1996	Closing of the subscription period
	Payment of the subscriptions
	Cash payments of the coupons No. 5 which have not been used to subscribe to new shares

Additional information

Details of the arrangements will be published in the prospectus, which will be available as from 3 June 1996.

Brussels, 19 April 1996.

On behalf of the Board of Directors

Boulevard E. Jacqmain 23
1000 Brussels
Belgium
Trade Register No. 1811

M. Lippens
Chairman - Managing Director

Saga Petroleum ASA
Notice of Annual General Meeting

The Annual General Meeting will be held in the Auditor, Info-Rama/Filca Hotel Celofjord, Sandvika 184, Sandvika (Oslo), Norway at 17.00 p.m. on Tuesday 7 May 1996.

- Agenda:
1. Review of operations.
 2. Approval of the statement of income and balance sheet for Saga Petroleum ASA and allocation of net income including determination of dividend.
 3. Approval of income statement and balance sheet for the group.
 4. Determination of the remuneration of the corporate assembly and auditor.
 5. Election of members and deputies of the corporate assembly.
 6. Modification of article 1 of the Articles of Association: "The name of the company is Saga Petroleum ASA".

Shareholders who wish to attend or be represented by a proxy at the annual general meeting, should notify Kredittkassen, Verdpapirservise, P.O. Box 1186 Sentrum, N-0107 Oslo, Norway (telex: +47 22 42 71 35 or telephone +47 22 48 68 32 or +47 22 48 47 31) as soon as possible and not later than 15.00 p.m. on Friday, 3 May.

Sandvika, 7 March 1996

Torbjørn Haug
Chairman, corporate assembly Saga Petroleum

Shareholders unable to attend may vote by giving written power of attorney to a proxy. If no other proxy is desired, one of the following may be listed: Mr. Torbjørn Haug, chairman of the corporate assembly, Mr. Wilhelm Wilhelmsson, chairman of the board of directors, Mr. Leif Frode Oshvold, deputy chairman of the board of directors, or Mr. Asbjørn Larsen, president and chief executive officer.

If the Annual General Meeting approves the proposed dividend, the shares will be quoted ex-dividend from Wednesday 8 May 1996. Dividend will be forwarded on 30 May 1996 directly to those listed as shareholders in the share register on 7 May, or to those who according to the share register have been given a right by the holder to receive dividend. The share-holders are therefore asked to report share transactions, change of address, etc. as soon as possible to the bank/stockbroker with whom they have their securities account. When dividend will be paid to non-Norwegian shareholders, Norwegian tax will be deducted in accordance with existing rules.

ECU 3,000,000,000
Euro Medium Term Note
Euro Depository Receipt Programme
of
Lavorò Bank Overseas N.V.
and
Banca Nazionale del Lavoro S.p.A.
Series N° 3
Banca Nazionale del Lavoro S.p.A.
Hong Kong Branch -
US\$ 100,000,000 Subordinated Floating Rate
Depository Receipts due 1999

In accordance with the terms of the Series N° 3 Depository Receipts (the "Receipts") described in the Pricing Supplement dated as of July 15, 1994, notice is hereby given that for the Interest Period from April 22, 1996 to July 22, 1996 the Receipts will carry an Interest Rate of 5.875% per annum.

The Interest Amount payable on the relevant Interest Payment Date, July 22, 1996 will be US\$ 11.88 per Receipt of US\$ 900, US\$ 118.81 per Receipt of US\$ 8,000 and US\$ 1,188.00 per Receipt of US\$ 90,000.

The Calculation Agent
Kredittbank Luxembourg

CHEMICAL BANKING CORPORATION
US\$100,000,000 SUBORDINATED
FLOATING RATE NOTES DUE 2000

In accordance with the provisions of the Note, notice is hereby given that for the Interest Period from 22 April 1996 to 22 October 1996 the Notes carry an interest rate of 5.25% per annum.

The Interest payable on the relevant interest payment date, 22 October 1996, on a coupon no 7 will be US\$278.00 per US\$ 10,000 note and US\$278.00 per US\$ 100,000 note.

CHEMICAL

APPOINTMENTS
ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the international edition every Friday. For further information please contact:
Toby Flinder, Crofts
+44 0171 673 5456

BANQUE NATIONALE
DE PARIS

US\$ 225,000,000
Subordinated Floating Rate
Notes due 2002

Notice is hereby given that the rate of interest for the period from April 22nd, 1996 to October 21st, 1996 has been fixed at 5.4375 per cent. per annum. The coupon amounts due for this period are US\$ 27.48 per denomination of US\$ 1,000, US\$ 274.80 per denomination of US\$ 10,000 and US\$ 2,748.00 per denomination of US\$ 100,000 and are payable on the interest payment date October 21st, 1996.

The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

سكا من الامم

ING BANK
 エマージングマーケット
 および資本市場での
 専門金融機関
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FINANCIAL TIMES
MARKETS
THIS WEEK

ING BANK
 At Home in Emerging
 and Capital Markets
ING BARINGS

Global Investor / Tony Jackson in New York

The no-win deal facing equities

If the US bond market is rattled about inflation - and it certainly seems to be - the equity market has yet to get the message. In the past three months, the long bond yield has risen from a low of 6 per cent to 6.8 per cent. The equity yield has meanwhile fallen slightly, from 2.3 per cent to 2.2 per cent on the FT World Index.

Historically, as the chart shows, the equity market has proved acutely sensitive to inflation. The yield has risen and fallen with the consumer price index, and the earnings multiple vice versa. Suppose the bond market is now right to worry about inflation. Must equities again follow suit?

It is worth considering why inflation should affect equities at all. Much of the CPI consists of prices charged by corporations. Suppose they raise their prices 10 per cent but hold their profit margins and dividend pay-outs steady. In that case, their dividends will rise 10 per cent as well. To that extent, equities offer a real yield, as opposed to the nominal yield on bonds. So although bond yields will rise with inflation, equity yields should theoretically stay the same.

There are several reasons why they do not. The first relates to the quality of earnings. In a time of stable prices, the tax allowances for depreciation are broadly the same as real replacement spending on plant and equipment. But when

prices of plant and equipment are rising rapidly, companies are out of pocket. Similarly, high inflation gives rise to illusory profits on inventories. The effect is to produce earnings which are not backed by cash and cannot be paid out in dividends.

Second, as Salomon's chief equity strategist David Shulman points out, high interest rates associated with inflation mean future earnings are discounted more heavily to arrive at a present share price. This seems irrational, since present values are conventionally calculated using real - inflation-adjusted - rates of interest. But in practice, high inflation leads to volatility in interest rates, real and nominal. For this reason, corporations normally raise their hurdle rates for return on investments in

times of inflation. Both those elements - the quality of earnings and the discount factor - will plainly apply if inflation returns. But the opening question remains: can companies maintain their operating margins while prices are rising?

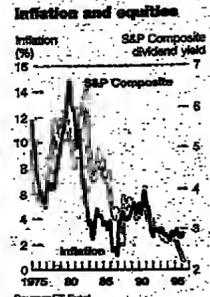
Recent experience suggests they can. When raw materials prices were rising sharply in 1994-95, US corporations confounded expectations by not only failing to pass on these costs, but by holding their margins. There was a benign combination of low inflation and healthy earnings growth.

One important way in which companies were able to square the circle was by slashing their wage bills. Morgan Stanley's chief economist Stephen Roach points out labour accounts for 70 per cent of US corporate

costs while commodities account for only 17 per cent. But the slash-and-burn approach to labour has largely run its course. Also a political reaction is setting in, so labour costs will start to accelerate. In that case, corporate America will be faced with a combination of wage and raw material price increases not seen for a decade.

As a political straw in the wind, take the recent moves - endorsed by some Republicans as well as Democrats - to raise the US minimum wage of \$4.25 per hour by up to \$1. But by Roach's calculations, the knock-on effect could be to increase wage inflation - now running at 3.35 per cent - by half a percentage point.

The significance lies not so much in the absolute increase as in the direction. From the



Total return in local currency to 18/4/96

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash	0.10	0.01	0.07	0.08	0.18	0.13
Week	0.10	0.05	0.08	0.08	0.08	0.13
Month	0.10	0.05	0.08	0.08	0.08	0.13
Year	6.55	1.41	5.00	7.13	11.44	7.55
Bonds 3-5 year	0.64	-0.27	0.40	0.20	0.77	0.59
Week	0.64	-0.27	0.40	0.20	0.77	0.59
Month	0.64	-0.27	0.40	0.20	0.77	0.59
Year	7.45	4.57	10.71	14.12	22.23	10.88
Bonds 7-10 year	0.67	-0.55	0.70	0.40	1.15	0.87
Week	0.67	-0.55	0.70	0.40	1.15	0.87
Month	0.67	-0.55	0.70	0.40	1.15	0.87
Year	8.20	5.04	12.27	17.42	28.09	17.42
Equities	2.2	-0.1	0.3	0.8	1.8	2.1
Week	2.2	-0.1	0.3	0.8	1.8	2.1
Month	2.2	-0.1	0.3	0.8	1.8	2.1
Year	30.3	25.5	25.2	18.1	1.8	34.8

Source: Cash & Bonds - Salomon Brothers; Equities - FTSE International Ltd. The FTSE Actuaries World Indices are jointly owned by FT-SE International Limited, Guinness & Co., and Standard & Poor's.

COMPANY RESULTS DUE

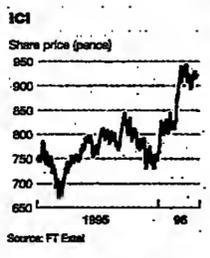
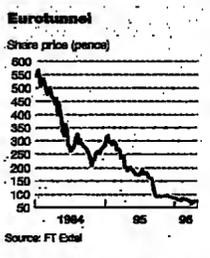
Strike across the US likely to affect GM figures

General Motors: The US carmaker is expected to report sharply lower first quarter earnings, almost 70 per cent below initial estimates, because of the 17-day strike at two plants that closed down GM's entire North American operations during March. GM is expected to report today that earnings per share fell to 85 cents from \$2.51 a year ago. The carmaker is understood to have told analysts privately it estimates the strike would cut \$900m from net income in the quarter, the equivalent of about \$1.20 a share. GM is believed to have lost production of about 240,000 vehicles

during the strike, and did not have time to make this up before the end of the quarter. Total production for the quarter is estimated at 1.2m units. While GM has raised its second quarter production estimates by about 71,000 to 1.4m vehicles, analysts say it is unlikely to recoup all the lost production because of overtime costs and adequate levels of inventory. AEX News

Philips: The Dutch electronics group, is expected to report on Wednesday first quarter net profit of Fl 690m-Fl 830m (€33m-€49m) compared with Fl 740m a year earlier, according to analysts. The figures are expected to include Fl 300m-Fl 400m in extraordinary net profit from Philips' sale in March of some 6.5m shares of ASM Lithography Holding, which reduced its stake to about 35 per cent from 57 per cent. Analysts therefore see net profit from ordinary activities

between Fl 290m-Fl 430m, down from Fl 544m a year earlier. Sales are seen stable or slightly higher than last year's Fl 14,619bn. At the annual general meeting last month, Mr Jan Timmer, president, warned shareholders that first-quarter net profit from ordinary business operations would be "substantially" lower than the "excellent" first quarter of 1995. He blamed continuing weakness in the consumer electronics market, and pressure on semiconductor earnings from lower demand from the personal computer industry. Mr Timmer told shareholders: "The company will make every effort to try and avoid net profit from normal business operations for the full 1996 falling below that of the previous year." Mr Simon Street of Barclays de Zoete Wedd said: "Clearly, the group's activities relating to consumer electronics, espe-



cially Grundig, are having a tough time. A recovery in consumer electronics will be the key factor in Philips' full-year profit trend. The rest of the group is doing fairly well." AEX News

Accor: On Wednesday the French hotels group will report a net profit of FF950m-FF950m for 1995, up from FF711m (\$140m) a year earlier,

due to a surge in hotel income in the second half and a drop in financing charges after debt reduction. Accor had a first half net profit of FF29m but the seasonal nature of its activities will increase earnings in the latter part of the year, analysts said. AFX News

Montedison: The Italian industrial group is expected to announce today a net profit of

L1,173bn-L1,356bn (€56bn) in 1995 compared with a net loss of L945bn a year earlier. In February, Montedison announced a 1995 preliminary gross operating profit of L3,440bn, up 16.4 per cent, and sales of L24,360bn, up 13.2 per cent. Montedison also announced in September that its first-half net profit of L1,032bn was boosted by a capital gain of L985bn from the transfer of assets to its Montell joint venture with the Royal Dutch/Shell group. AFX News

Ferruzzi Finanziaria, Montedison's parent, is also due to announce its results today. The group said in February that its 1995 preliminary sales were L27,265bn, up 8.4 per cent, while gross operating profit rose 17.7 per cent to L3,623bn. In 1994, Ferruzzi posted a L897bn net loss. Analysts were reticent about predictions, saying that Ferruz-

zi's opaque structure makes forecasting difficult. AFX News

Klöckner-Humboldt-Deutz: The German engine maker which is struggling to recover after almost collapsing last year, reports its full results for 1995 tomorrow. The company said last year that it expected net losses in 1995 to reach about DM300m (\$20m) because of further restructuring. According to preliminary figures in December, sales in 1995 rose DM500m to about DM3.2bn while new orders remained steady at about DM3.5bn. The new management under Mr Anton Schneider, is also expected to announce details about business in the first quarter and a number of other property disposals designed to strengthen the company's balance sheet. Mennemans: The leading German engineering group which is being buoyed by

strong results from its telecoms business, reports its full results for 1995 on Wednesday and will give the fullest indications so far about prospects for this year. The group recently said net profits in 1995 had risen to DM701m - more than double the 1994 result - but DM464m of that came from group sales. While analysts forecast that gross profits this year may rise to DM1.8bn, they expect net profits to remain near their 1995 levels because of high tax charges. Eurotunnel: The Anglo-French operator of the Channel Tunnel is today expected to announce losses for 1996 of around €900m. ICI: First-quarter figures from the UK's biggest chemicals company on Thursday are likely to be worse than in the same period last year.

Berkshire Hathaway Inc.
Class B Common Stock Offering
 (\$.1667 par value per share)

The public offering price per share of Class B Common Stock is expected to be approximately one-thirtieth (1/30th) of the closing sale price per share of Berkshire's Common Stock, \$5.00 par value per share, on the New York Stock Exchange on the date of pricing.

Expected Pricing Date: May 8, 1996

Salomon Brothers Inc

The offering referred to above constitutes a new financing for the company and all proceeds will go directly to the company. A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offers, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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Wider variety of issues in market

The international primary equity market has entered the second quarter of 1996 with a full and varied timetable of new issues and, thankfully, international investors are still flush with cash and sentiment in the secondary markets is broadly positive. "The markets are open and deals are working," said one syndicate manager last week. Despite the heavy US primary equity calendar, bankers are continuing to see strong investment flows out of the US into Europe and emerging markets, a trend which started at the beginning of the year. Unlike last year, when offerings had to compete against each other for investors' attention because so many were concentrated either in the telecoms or steel industries, investors are being presented with a wide range of different issues this time round. Another reason why bankers are optimistic about the primary equity market is that they are taking more care to

space out transactions so that the overcrowding seen last year, particularly in the fourth quarter, is avoided. "There is a good order and variety to the market," said one banker. Offerings which are currently in the market include Harvey Nichols, the Knightsbridge department store. Netcom, a Norwegian cellular phone provider, Carli Gry, a Danish retailer, Copenhagen Airport, and Mediolum, an Italian life insurance and mutual funds company. Eastern Europe is also yielding opportunities, namely sales of shares in KomercijneBanks in the Czech Republic and in Panonplast, a Hungarian plastics manufacturer. Most of these deals are fairly modest in size - the largest is Mediolum which is set to raise about \$250m - but next month's scheduled privatisations, which include Railtrack in the UK, OMV, the Austrian oil and gas company, and Portugal Telecom will raise significantly larger amounts.

The UK government could raise up to £1.6bn from Railtrack and the Austrian government is expected to raise about \$350m from the sale of 15 per cent in OMV, which is currently 50 per cent state-owned. The second tranche of shares in Portugal Telecom, which was floated last year, is set to raise \$1bn to \$1.2bn. Merrill Lynch, SBC Warburg and UBS, which are arranging the Portuguese transaction, are expected to announce the rest of the syndicate early next week. Given the high levels of liquidity in the market, bankers believe that deals of this order will be absorbed easily and that this in turn will encourage other governments to speed up their privatisation plans, in particular France. The UK and Portugal are already well up to speed. Only a few weeks after Railtrack is priced, believed to be the end of the third week of May, the UK government will proceed with the privatisation of British Energy. BZW, which is ar-

anging the transaction, is set to announce the syndicate for British Energy today. Portugal is set to sell shares in the cement company, Cimpor, once Portugal Telecom is out of the way. Meanwhile, Finland is expected to proceed with its plan to reduce its stake in Valmet, the world's biggest maker of paper machinery, to about 30 per cent from its current holding of 58 per cent by the summer. This transaction could raise about \$300m. For investors who want an alternative to privatisation, the calendar of corporate IPOs remains strong. CS First Boston is believed to have won the mandate to spin off Olivetti's office equipment subsidiary, Lexipon, and Goldman Sachs is preparing the DM600m IPO of Eurobike, a German motorcycle company. Bankers are also optimistic that the recent M&A activity in Switzerland will produce some interesting equity offerings this year.

FT/S&P ACTUARIES WORLD INDICES

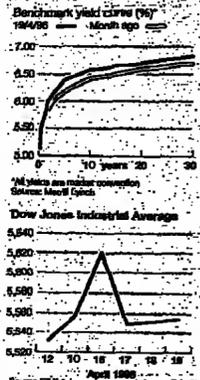
The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL MARKETS	FRIDAY APRIL 19 1996						THURSDAY APRIL 18 1996						DOLLAR INDEX	
	US	UK	Japan	DM	Local	Local %	US	UK	Japan	DM	Local	Local %		
Australia (20)	203.30	7.0	198.80	157.48	172.89	12.8	198.80	157.48	172.89	12.8	198.80	157.48	172.89	12.8
Austria (20)	188.90	7.1	182.58	125.37	148.31	148.18	18.2	202.87	199.80	137.81	159.48	172.02	206.73	162.69
Belgium (20)	210.25	0.5	205.40	142.17	184.59	180.49	5.7	4.13	203.20	205.73	142.12	164.45	182.19	168.23
Canada (20)	150.41	5.1	156.70	105.10	121.87	288.26	14.9	1.41	153.40	150.88	104.21	120.89	279.28	119.29
Denmark (20)	297.57	3.0	290.68	301.20	232.83	238.08	6.0	1.91	295.54	290.87	108.02	126.16	158.12	134.14
Finland (20)	191.45	-3.0	177.28	122.89	142.04	181.00	6.2	2.74	181.24	178.28	122.12	142.47	182.50	206.36
France (20)	172.14	5.2	168.18	118.39	134.75	134.75	10.6	3.05	184.53	181.30	132.15	152.92	198.50	195.88
Germany (20)	428.87	10.0	418.71	288.42	353.82	428.81	10.1	3.38	429.88	429.88	116.40	134.70	134.70	174.38
Hong Kong (20)	277.8	8.5	270.78	187.43	216.99	248.04	10.9	3.38	278.10	268.58	186.52	214.89	248.04	461.19
Ireland (20)	177.84	5.3	173.84	32.49	80.77	81.99	6.1	2.14	175.32	175.05	51.84	59.89	86.63	82.71
Italy (20)	157.38	1.8	152.08	97.68	125.19	106.41	6.3	0.71	162.20	162.20	109.97	122.82	146.72	167.70
Japan (20)	1713.81	26.8	1682.28	898.18	1029.29	1044.1	22.0	1.28	1727.87	1728.41	881.75	1020.36	546.77	573.24
Malaysia (20)	344.80	1.2	340.08	367.68	448.81	581.18	18.2	1.58	344.80	344.80	367.68	448.81	581.18	87.76
Netherlands (20)	243.15	2.9	241.85	208.88	228.79	222.72	11.6	4.28	241.14	241.14	208.88	228.79	222.72	227.19
New Zealand (20)	82.48	3.5	80.86	56.78	64.55	83.80	6.0	3.17	82.47	82.47	56.78	64.55	83.80	781.99
Norway (20)	247.21	8.9	244.58	167.22	188.59	217.98	9.9	2.38	245.05	245.05	167.22	188.59	217.98	241.28
Sweden (20)	243.15	2.9	241.85	208.88	228.79	222.72	11.6	4.28	241.14	241.14	208.88	228.79	222.72	227.19
South Africa (20)	177.87	7.7	173.85	120.33	139.31	169.07	11.4	2.08	177.87	177.87	120.33	139.31	169.07	358.81
Spain (20)	344.80	10.5	338.82	233.13	289.30	341.89	11.7	2.33	337.88	337.88	233.13	289.30	341.89	177.97
Switzerland (20)	343.40	3.1	337.77	184.37	190.54	194.45	7.6	1.54	340.79	340.79	184.37	190.54	194.45	241.28
Thailand (20)	180.06	7.0	178.90	121.78	140.95	176.83	7.4	1.28	183.08	180.04	124.37	143.72	177.77	193.25
United Kingdom (20)	237.45	3.0	231.93	150.33	185.85	211.93	8.3	1.93	234.71	228.88	158.77	183.78	223.43	184.58
USA (20)	285.11	4.7	287.03	177.90	205.96	288.11	4.7	2.20	282.48	282.48	177.90	205.96	288.11	206.41
Americas (72)	340.57	5.1	335.01	182.88	188.32	202.18	5.0	2.18	336.98	336.98	182.88	188.32	202.18	188.02
Europe (22)	310.70	4.2	305.82	142.46	164.93	184.80	6.7	2.38	308.21	304.78	141.44	162.88	183.36	205.54
North America (20)	295.03	7.0	288.21	188.48	230.85	257.15	10.0	2.32	290.65	285.81	187.45	228.45	257.15	171.87
South America (20)	1714.1	9.1	1615.22	111.22	133.59	117.87	5.8	1.14	169.25	168.44	114.58	133.08	254.59	297.48
Euro-Pacific (15)	117.09	4.0	112.75	126.50	146.45	143.18	4.8	2.01	116.38	116.38	126.50	146.45	143.18	145.73
North America (72)	288.73	4.8	280.78	173.59	200.97	226.04	4.8	2.21	281.14	281.14	173.59	174.00	201.36	225.44
Europe (22)	181.22	6.0	180.80	128.29	148.99	167.54	10.5	2.46	183.37	182.88	128.29	148.99	167.54	188.61
Asia Pacific (20)	291.81	10.3	285.05	187.30	228.43	232.47	8.5	2.83	292.55	287.50	188.60	229.22	252.82	293.73
World Ex. US (74)	188.43	4.1	185.96	127.21	147.40	147.98	7.4	1.90	187.88	185.82	127.21	147.40	147.98	188.52
World Ex. US (216)	208.54	4.5	203.72	141.00										

MARKETS: This Week

NEW YORK By Tony Jackson

The US debt and equity markets continue to convey a sense of imbalance, with bonds in disarray and the equity market still remarkably robust.



So far, the pattern has been encouraging, with strong results last week from mainline stocks such as Kodak and continued evidence of stock buy-backs.

COMMODITIES By Richard Moore

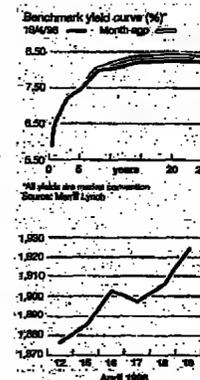
No pressure at rubber talks

Progress towards ratification of a new price stabilisation pact for the world natural rubber market will be discussed this week at a meeting of the International Natural Rubber Organisation in Kuala Lumpur, Malaysia.

Agreement was reached on Inra 3, the third International Natural Rubber Agreement, by producing and consuming states in February 1995.

LONDON By Steve Tompkins

The UK equity market will be buoyant this week to match its recent strutting performance, which saw the main indices, the FTSE Actuaries All-Share, the FTSE 100 and the FTSE Mid 250 and the FTSE Small Cap hitting all-time records on almost every day of last week.



The bulls will be hoping that the latest bout of takeover speculation, one of the driving forces behind the big gains in prices, will continue.

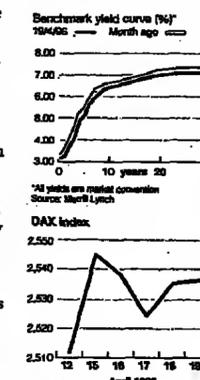
OTHER MARKETS Compiled by Michael Morgan

PARIS

The equity market has been upgraded by J.P. Morgan, which has raised its recommendation from underweight to neutral, and raised its year-end target to 2,500 from 1,900.

FRANKFURT By Andrew Fisher

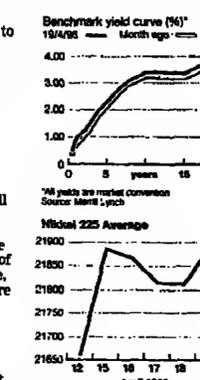
It has become a cliché that the Bundesbank loves springing surprises, but that does not stop the German central bank.



The 10-year yield spread of gilts over bunds widened out from 173 to 177 basis points over the course of last week.

TOKYO By Emiko Terazono

While economic indicators released this week are likely to point to the momentum of Japan's economic recovery, market participants expect volatility in bond and equity prices ahead of the "Golden Week" spate of holidays.



Paribas said the central bank had "waved a big carrot in front of the market". The move would make the market consider its bearish outlook on short-term rates.

CURRENCIES By Philip Gawth and Graham Jones

Dollar hostage to developments at G7 meeting

The dollar, for the early part of this week at least, will be hostage to developments arising from yesterday's meeting of G7 finance ministers in Washington.

Only if ministers imply they want more than the dollar appreciation achieved so far would the market be encouraged to buy the US currency.

hops best to be explained by the markets' already bullish position towards the dollar, which makes any further upward moves difficult.

more enthusiastically received by European markets, because the left would be keener on an early Italian re-entry into the European exchange rate mechanism.

Italy could apply for ERM membership as early as June. If however the election fails to produce a clear victor, investors may well be tempted to sell Italian assets, either swapping them for assets in other high-yielders such as Spain, or retreating into the D-Mark for safety.

CROSS BORDER M&A DEALS

Table with columns: BIDDER/INVESTOR, TARGET, SECTOR, VALUE, COMMENT. Lists various international M&A deals.

FT GUIDE TO WORLD CURRENCIES

Large table providing exchange rates for various currencies against the US Dollar, UK Pound, and Japanese Yen. Includes columns for currency codes and rates.

PHARMACEUTICAL BUSINESS NEWS advertisement. Includes text about published fortnightly news, contact information for FT Pharmaceuticals & Healthcare, and a large 'Call or fax now for your FREE' offer.

MARKETS: This Week

EMERGING MARKETS By David Pilling

Argentine shares recoup losses

When it comes to Argentina's volatile stock market, which climbed 5.71 per cent last week to reach a 10-week high, no "noise" is definitely good news. Noise - a term used to describe the debilitating political bickering that so distresses the Argentine market - has abated recently, allowing securities to regain the ground that had been lost in March.

Investors are still rewarding Argentina for having survived last year's huge external shock with its peso-dollar parity intact. After the Mexican devaluation, Argentina suffered from panic selling on fears that the country's rigid monetary system would crack. The Merval index fell to 282 last March, but sharp recession since then has not been enough to dampen enthusiasm at mere survival and the index has more than doubled.

Europe's ABS sector passes new milestone

Last week marked a new milestone in the hitherto sluggish development of Europe's market for asset-backed securities (ABS), but observers are reluctant to hail it as the dawn of a new era.

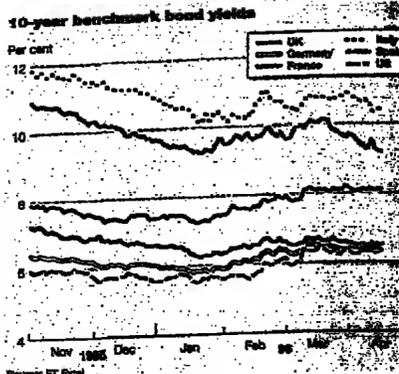


Table titled 'INTEREST RATES AT A GLANCE' showing yields for various countries and maturities. Columns include Country, Maturity, and Yield.

In the first three months of this year, Europe has already had \$7.5bn of issuance - although around more than half of that was accounted for by a massive \$4bn refinancing for GPA, the Irish-based aircraft leasing company.

Table titled 'ING BARING SECURITIES EMERGING MARKETS INDICES' showing index values and movements for various regions like Latin America, Europe, and Asia.

Going this route didn't even prevent higher costs than staying at home. "Even after the swap, this delivers the same economics as a dollar transaction world," the official says.

However, while increased investor comfort with ABSs may spur further issuance, the European market is not about to go through the roof.

Agip Française S.A. Sale of retailing, wholesaling and storage activities in France. Includes details about the company, its subsidiaries, and the terms of the sale.

Table titled 'NEW INTERNATIONAL BOND ISSUES' listing various bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, and Book-runner.

Landeskreditbank Baden-Württemberg US\$200,000,000 Subordinated floating rate notes due 2002. Includes terms and conditions for the bond issue.

BRADFORD BINGLEY £200,000,000 Floating rate notes due 1999. Includes terms and conditions for the bond issue.

Biocompatibles International plc 1 for 6 Rights Issue of 7,878,320 Units each comprising 1 new Ordinary Share and 1 Warrant at 360p per Unit. Includes details about the rights issue.

Biocompatibles International plc (Incorporated in England and Wales with Registered No. 2703724) 1 for 6 Rights Issue of 7,878,320 Units each comprising 1 new Ordinary Share and 1 Warrant at 360p per Unit. Includes details about the rights issue.

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Should've talked to CNT.

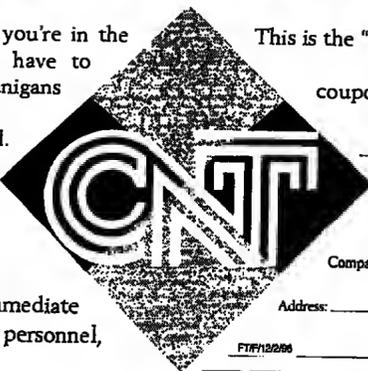
Whatever business you're in, you could soon find you're in the paperwork business once you decide to move. You'll have to deal with site searches, planning applications, legal shenanigans and negotiating with utilities.

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LATIN AMERICAN MINING

World's treasure chest yields more

The unprecedented mining boom is fuelled by rising world demand and by smaller companies' efforts to remain in the industry, says Kenneth Gooding

From aluminium to zinc, the world already relies heavily on Latin America to provide the raw materials necessary for modern living. Chile accounts for nearly one quarter of the copper mined globally. Brazil is second only to China in output of iron ore while Bolivia is the world's third largest tin producer.

The region is also an important producer of some more esoteric metals and minerals: antimony, arsenic, barytes, graphite, iodine, kaolin, lithium, manganese, molybdenum, tantalum, tungsten, to name but a few. And even salt.

But the world wants more. And international mining companies have decided there is much wealth still to be found in Latin America so the region has been the centre of an unprecedented mining boom.

Mining companies spent more on exploration in Latin America in 1995 than in any other part of the globe. It was the second successive year that the region topped the spending league. According to the Metals Economics Group, an independent Canadian research organisation, the international mining industry spent \$3.55bn on global exploration for non-ferrous metals last year, a healthy 21 per cent increase from the 1994 level.

Peru, \$1.2bn. There are already some big projects in the pipeline. It is estimated it could cost between \$5m and \$10m to develop the top 20 projects. Exploration in the region is devoted mainly to copper and gold and this shows in the list of projects. About 55 per cent of the \$5m-\$10m is for copper projects and 25 per cent for gold.

Another sign of the importance mining companies place on Latin America is the fact that some of the big battles for assets have focused on the region. For example, Barrick Gold fought off Royal Oak Mines to gain control of Lac Minerals, the prize being the El Indio gold mine in Chile's high Andes. Placer Dome of Canada lost to Rio Algom of Canada in partnership with North of Australia in the fight for International Musto and its 50 per cent of the Alumbrera copper-gold project, while Newmont Mining is embroiled in a bitter legal dispute with BRGM of France over the Yanacocha gold mine in Peru, destined to become one of the world's treasure stores.

The reason for all this activity is that the industry is convinced it will not be long before global mining is dominated by a very few, very big international groups. They are scrambling to make sure they are not left behind or gobbled up by another predator.

The pace is hectic because governments that once treated mining groups with deep suspicion have started competing for their favours. Many have watered down or abolished the foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring large parts of the globe.

Mining groups are also being invited to bid for state-owned mining assets as huge chunks of the industry are being returned to the private sector around the world.

"The mining industry is suddenly confronted with a wide

arena of opportunities that have not been available for several decades," says Mr Bob Wilson, chief executive of London-based RTZ-CRA, the world's biggest mining group.

Mr Wilson estimates that since the beginning of the 1990s as many as half the countries in the world have opened their doors to international mining companies and are actively encouraging them to invest. More than 70 countries have changed their mining laws to appeal to foreign companies.

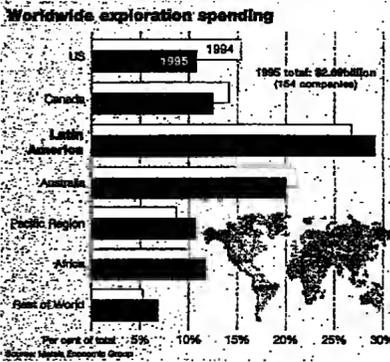
All of this is a big change from 20 years ago, when mining was an industry in which internationally operating companies had virtually ceased to exist after being unceremoniously booted out of one region after another.

The present deregulation process actually started in Latin America in the mid-1980s. Virtually the whole of the region is now actively seeking investment from mining groups. Even Brazil is somewhat reluctantly joining the trend, with plans to privatise its national flag bearer CVRD, the world's biggest iron-ore producer, early next year. The Brazilian government hopes to raise more than \$9bn from the deal. And Brazil recently changed the legislation that prevented foreign ownership of mining companies.

The changed circumstances are already having an important impact on the structure of the global mining industry, which has generally enjoyed a prosperous period in the past two or three years, with metals and minerals prices buoyant.

For one thing, they have contributed to a quickening in the pace of consolidation since, for the most part, only big and wealthy companies can afford the assets on offer.

Mr Jerry Bills, chief executive of BHP Minerals, the Australian group, says the mining industry in the 21st century is



"likely to be dominated by a relatively small number of large companies that will be truly global in scope, and internationally staffed."

Latin America might have provided the catalyst to reshape the mining industry but today it faces serious competition from countries in sub-Saharan Africa, which have followed Latin America's lead in changing restrictive rules and regulations. They are competing for the limited amount of capital available. Soon the competition will become even more intense as China, India and the countries of the former Soviet Union start to give the international miners a more positive welcome.

The move to Latin America was led mainly by North American companies in the early 1990s. Conditions were right: metal prices were at a level to generate good profits and improved financial markets enabled junior (or smaller) companies to raise venture capital and seniors to refinance existing debt on more favourable terms.

The North Americans were also concerned about the increased cost of developing projects in the US and Canada where they faced difficulties in gaining access to public land for exploration and where an active environmental movement often protested about any proposed mining project and delayed the permitting process.

However, it has not been a

smooth ride recently for small (or junior) companies because the financial community for a while was far less willing to provide cash for any Latin American projects after the sudden devaluation of the Mexican peso in December 1994 and the subsequent financial panic. Some juniors have also over-extended themselves with work commitments and this has weakened their finances.

After last year's "Investing in the Americas" conference, which provided a meeting place for government officials from most Latin American countries as well as big and small mining companies, Ms Amy Gassman, analyst at the Goldman Sachs financial services group, said: "In contrast to the enthusiasm of recent years, which celebrated the re-opening of Latin America as a mining region attractive to international companies and capital, a subdued undercurrent this year quietly questioned whether the Latin American mining boom was broadly enough based and financially sustainable."

Ms Gassman added: "Financially strong companies with secure production pipelines will be the ultimate beneficiaries (as Latin America opens up even more). They can afford to wait to acquire choice positions as the availability of project financing slows and they can store their projects until market conditions improve."

CHILE: by Imogen Mark

In peak condition

High in the Andes, Chile's already vast copper industry is reaching for new heights

The graph tracing Chilean copper production between 1995 and 2000 rises almost as steeply as the Cordillera de los Andes, which contains some of the world's richest deposits.

In the past five years, national output has risen from 1.6m to 2.2m tonnes of fine copper, and by the end of the decade it is expected to top 4m tonnes, representing about 42 per cent of world production.

Codelco, the state copper corporation, is the world's biggest copper producer - last year it produced 1.16m tonnes. But even more is now being produced by private companies.

This marks a quiet but radical reversal of the revolution 25 years ago, when the Chilean Congress voted unanimously to nationalise the mines. It did so as a step on the "Chilean road to socialism" preached by President Salvador Allende and his Popular Unity government from 1970 to 1973.

In the ensuing military government of President Augusto Pinochet, the state held on to the former foreign-owned mines, and reorganised them into Codelco.

But at the beginning of the 1980s it also introduced a mining code which guaranteed future mineral rights to the company which discovered them, and also made 1970s-style expropriations virtually impossible. Gradually, foreign mining companies ventured back, tempted by the good-grade deposits. With Chile's return to democracy in 1990, the trickle became a flood.

Escondida was the first big venture, starting in 1990. Its initial output was 330,000 tonnes year, but almost from year one its owners, BHP of Australia, RTZ in London and a group of Japanese smelters, were planning expansions. By the middle of this year the company expects to be producing 800,000 tonnes a year, making it the world's biggest copper mine.



Chile's Escondida copper mine: the biggest in the world

Mr Ken Pickering, Escondida's president, says it also plans a further expansion to heap-leach an oxide deposit to produce 125,000 tonnes of copper cathodes. If all goes well, the extra production will come on stream in a couple of years, bringing Escondida up to the 1m tonnes a year mark by the turn of the century.

Hot on Escondida's heels comes Collahuasi, the newest mega-project. Owned jointly by two big mining houses, Falconbridge of Canada and Minarco, Anglo-American's European arm, Collahuasi has pencilled in production of 330,000 tonnes a year of concentrates plus another 50,000 tonnes of cathodes. The production start-up date is "towards 1998".

The Collahuasi property, like Escondida, has huge potential. Reserves are an estimated 3bn tonnes, but one of the known deposits, called Rosario, is still not fully explored and defined.

The mine site is at a punishing 4,500 metres above sea level, and the project team have been studying the problems of working at such high altitudes, according to Mr Steve Kesler, its chief executive officer. All operations have been designed to require the minimum physical effort, from power-assisted steering on all vehicles to easy-access for machinery.

"We've put in the best possible communications systems between the mine site, the

port, the offices in Iquique [the nearest town, three hours from the mine] and Santiago, so we need the fewest possible people on site at the mine," Mr Kesler says. Finding the right people is one of the hardest tasks. Chile has almost full employment, and there is a lack of skilled labour at all levels.

As a result, "the costs of doing business in Chile match US levels," Mr Kesler says. Collahuasi and Escondida, along with other foreign mining companies, expect to have to train their own workers.

Recruiting, relocating, training and housing, as well as the infrastructure preparation, will represent a full quarter of Collahuasi's total \$1.76bn investment, Mr Kesler says. The infrastructure includes access roads, a port and water distribution.

A third large-scale project belongs to Chile's only big native mining entrepreneur, Mr Adonico Luisie, who owns the Los Pelambres mine. He plans to raise production from its current 22,000 tonnes a year to 230,000 tonnes by around the end of the century.

Codelco, finally, has its own plans for expansion. It has a joint-venture, the El Abra mine, with Cyprus Amax of the US, which should start producing 225,000 tonnes a year in 1997. It has also started work on a new wholly-owned venture, Radomiro Tomic, which will produce another 225,000 tonnes by 98.



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Select Fundamentals

II LATIN AMERICAN MINING

HOW THE FINANCE IS RAISED: by Bernard Simon

Canada holds the key

Half the money to finance "the mother of all lotteries" is coming from Canada

A surge in exploration activity combined with investors' appetite for emerging markets has created an active - some would say over-heated - market in the shares of junior mining companies seeking fame and fortune in Latin America.

Share prices on the Toronto stock exchange tell the story. Arequipe Resources, which is looking for gold in Peru, has jumped from less than a dollar last May to a mid-February peak of C\$13.88. Northern Orion Exploration, with gold and copper properties in Argentina and Cuba, more than doubled between the end of December 1995 and early February.

Even these two companies pale beside Guyanor Resources, whose price quintupled to over C\$15 during March on reports that it had found diamonds in French Guyana.

The activity is centred on Canadian stock exchanges. Many of the small exploration companies are headed by entrepreneurs who cut their teeth in the swashbuckling atmosphere of the Vancouver and Alberta exchanges, or by former executives at larger North American metal producers.

Generous "flow-through" tax incentives helped nurture Canadian exploration companies in the late 1980s and early 1990s. Furthermore, the withdrawal of banks from exploration financing over the past decade created an opening for securities dealers to put together equity deals.

Three Canadian securities firms - First Marathon, Gordon Capital and Yorkton Securities - pioneered financing for Latin American exploration in the early 1990s.

Mr Philip Martin, Gordon Capital's director of mining finance, says that European investors were first to appreciate the opportunities. "The Europeans were the ones who could see the mystique in it," he says. But the interest is

now far more widespread. Several dozen analysts in North America and Europe cover Latin American mining and exploration. Mr Frank Giustra, Yorkton's chief executive, estimates that about half the demand for new equity issues comes from Canadian investors, with the rest split almost equally between Europe and the US.

Debt finance on a significant scale normally becomes available only when properties yield sufficiently encouraging drilling results to justify a full feasibility study.

The progression from speculative equity funding to more traditional sources is illustrated by Bema Gold, a small Vancouver-based company that began looking for gold in northern Chile in the mid-1980s. Bema struggled in its early years to obtain funds for exploration at its Refugio property.

But it gained a shot in the arm in mid-1993 when US-based Amax Gold bought 50

Soaring mining share prices on the Toronto stock exchange tell the story

per cent of the project. Bema raised C\$11m in new equity that year.

In 1994, a bank consortium, including Canadian Imperial Bank of Commerce, Credit Lyonnais, Deutsche Bank and NM Rothschild, put up \$35m in project finance. In addition, investors bought \$33m of convertible debentures. Refugio began production in early April at an annual rate of 200,000 ounces. Bema's share price more than doubled in the three months to February 1996.

Export credit and regional development agencies are also in some cases a significant source of project finance.

Mr Rex McLennan, treasurer at Placer Dome, the senior Vancouver-based producer which operates mines in north and south America as well as the Pacific Rim, notes that "project finance is not so much a source of funding as a means by which we share certain risks".

According to Mr McLennan, political risk is a key determinant in Placer's financing decisions. In Chile, which by common consent offers the most attractive investment climate in Latin America, Placer financed its 50 per cent stake in the \$600m Zaldivar copper mine entirely from its own balance sheet.

However, it is likely to turn to outside sources to help

finance a proposed gold and copper mine on the 70 per cent-owned Las Cristinas property in Venezuela. Mr McLennan notes that Venezuela's credit rating is a single-B, which puts it below normal investment grade. "We're prepared to accept a good part of the risk, but we want to share a part of it," he says.

Whatever political risks there may be in Latin America appear so far to have been of little concern to investors in junior exploration companies. As Mr Martin sees it, most countries in the region now offer an hospitable environment. Gordon Capital had little difficulty recently raising finance for Chivor Emeralds, which is looking for gemstones in Colombia.

"When you invest in this stuff, you're taking the metal price risk, but you're looking for exploration upside," Mr Martin says.

It remains to be seen how long the boom lasts. Mr Giustra predicts that interest will be kept alive for another 5-10 years by a discovery or two a year on the scale of the recent nickel find at Vosey's Bay in Canada, or the apparently huge gold belt in Kalimantan, Indonesia.

But not every stock has been a winner. KWG Resources, which is drilling for gold in Cuba, soared to C\$20 on the Montreal stock exchange in late February. But its shares had tumbled back below C\$12 in early April after drilling results failed to meet expectations.

Mr Martin acknowledges that the best opportunities for investing in Latin American mining may be past. Shares of most exploration companies with interests in the region have slipped from their early 1996 peaks. For instance, Guyanor Resources was trading at C\$10.75 in early April, almost a third below its peak.

The focus of exploration finance in emerging markets has recently moved on to south-east Asia and Africa. Despite his long-term confidence, Mr Giustra calls the market in junior exploration stocks "the mother of all lotteries".

SOME MINING PROJECTS IN LATIN AMERICA

Deposit	Country	Company	Cost (\$m)
Colshuesel	Chile	Falconbridge/Ang. American	1,600
El Abra	Chile	Cyprus/Codelco	1,000
Salobo	Brazil	Anglo/CVRD	800
Alumbrera	Argentina	MIM/Musto	760
Zaldivar	Chile	Outokupru/Placer	600
Candelaria	Chile	Phelps Dodge/Sumitomo	550
El Indio Region	Chile	Barrick Gold	500
Radomiro Tomic	Chile	Codelco	500
Quelaveco	Peru	Anglo American	500
Escondida	Chile	BHP/RTZ etc	550
Cerro Verde	Peru	Cyprus Ammax	400
SPOC	Peru	Asarco	350
Las Cristinas	Venezuela	Placer Dome	400
Lama de Hierro	Venezuela	Anglo Jordec	300
Centromin	Peru	new owner	500
Cerro Corona	Peru	Barrick Gold	250
Refugio	Chile	Bema/Ammax	200
Cerro Vanguardia	Argentina	Anglo American	200
Various gold	Mexico	various	200
Tintaya	Peru	Magma	100
Total Investment			\$10,160m

Source: Rio Algom

COLOMBIA: by Sarita Kendall

The green and the black

As the coal industry steams ahead, emeralds are to be given a higher profile

Mining is changing in Colombia. Having digested the experience of three major foreign-backed ventures - two in coal and one in nickel - the government and the private sector are preparing legal reforms which will ease the way for companies taking on new projects. At the same time, several new coal blocks are being put on offer and Colombia plans to re-vamp the emerald business, beginning with a world emerald congress in November.

Setting out to change politically sensitive legislation when the president is involved in an election funding scandal which could lead to his downfall may seem unrealistic. However, there appears to be a consensus that the state role in mining should be reduced to a minimum and that, as it stands, the law does not work for large scale projects, nor does it fit in with the 1991 Constitution.

The mining sector earned \$1.8bn in 1995, providing about 15 per cent of Colombia's export income. Coal led the way and, with all the production increases planned for the coming years, it will continue to do so.

"The price is on the upturn and Colombia has some of the world's largest deposits of high quality steam coal. They can be worked by open pit mining and they're near the coast," said Mr Daniel Vargas, an engineering consultant for the Australian Trade Commission (Austrade) and other groups. "We have a small coal rush on here."

Both RTZ-CRA and Glencore have recently bought into coal mining ventures through local companies, while the Australian company BHP is also looking for openings. Although the government plans to sell off its half share of the northern Cerrejon mine, the privatisation process has not begun and no dates have been set. Last year El Cerre-

jon, which is operated by the Exxon subsidiary Intercoor, produced 13.5m tonnes and a coal washing plant now being installed should raise output by at least 2m tonnes.

The steam coal deposits run southwestwards from northern Cerrejon to the Drummond mine at La Loma. Both Drummond, which is building up to a production of 12m tonnes a year, and the northern Cerrejon mine have purpose-built infrastructure with ports at Cienega and Puerto Bolivar respectively. However, smaller-scale operators in the area between the two big mines are trucking coal to the Caribbean coast.

Ecoarbon, the state coal enterprise, is putting up four



Gold panning in Antioquia

Picture: Steve Korbak

advantages, including a lot of guerrilla activity in mining areas, Colombia continues to attract foreign interest.

Mr Antonio Jose Sanchez, head of the state mining company Mineralco, hopes to attract more than interest with a series of emerald mining events in November. Colombia will host the first world emerald congress, with a display of equipment and jewellery, and an auction of gemstones and trips to the mines.

"We produce 60 per cent of the world's emeralds and the most beautiful ones," said Mr Sanchez. "We want to show off our emeralds and invite investors and scientists and marketing experts. It's time to

improve technology and add value to the stones - we want to promote them as jewellery."

He sees the congress as part of a drive to bring the emerald "above ground" in more senses than one: the business has long been associated with handiwork, illegal prospecting, money laundering and smuggling. band. Industry statistics are notoriously unreliable, but last year's official exports totalled some \$490m, putting emeralds in fourth place behind oil, coffee and coal.

If the move to cut and polish stones locally and create a more sophisticated jewellery sector is successful, this will boost the domestic demand for gold. In pre-Columbian times indigenous cultures produced extraordinary quantities of exquisite jewels and ornaments which were carelessly melted down by the Spaniards for their gold content. Now most of the pieces find their way to the central bank's gold museum, while thousands of gold panners and a very few companies produce for the international market.

An experienced geologist who specialises in gold believes that Colombia should be producing far more than it does. "There are gold deposits of all kinds in all but two of our departments. The problems lie in getting projects going - and the obstacles are not in nature, but in the bureaucracy, the public order situation and the lack of infrastructure. This is not a place for the biggest companies with rigid rules, those that know how to adapt are the ones that will make it."

Although nickel earned \$185m in 1995, compared with \$274m for gold, nickel exports are edging up. The Cerro Matoso plant will be increasing production by 11 per cent this year to 60m lbs. Mr Fernando Jaramilla, the manager of Cerro Matoso, says a \$20m investment programme to "de-bottleneck" the plant will take output up to 80m lbs by the year 2000. This should make the sale of 47.7 per cent of the Cerro Matoso operation an attractive proposition and the government hopes to have the guidelines for the sale laid out by the end of this year.

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Sierra de Tandil (Gold)
The Company owns 125,000 acres licences in the Province of Buenos Aires. Some gold mineralizations have been discovered in this area which is thought to be geologically similar to South Africa's mining zones. An exploration program has been designed and will be started before the summer of 1996.

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■ BRAZIL: by Jonathan Wheatley

Return to a golden age

Brazil's stability may revive its mining reputation to a level not seen for 200 years

Mr Miguel Navarrete, the new director general of Brazil's national mining department (DNPM), has big ambitions. "Brazil could easily become the biggest mineral producer in Latin America," he says. "We will soon return to our natural position as a great mining nation."

There is good reason for Mr Navarrete's optimism. Last September, congress voted to remove from the constitution a ban on foreign control of mining operations. Brazil's new economic stability provides a better operating environment, and tax changes add to the attraction. Brazil, says a foreign executive, "certainly has the natural endowment to justify aiming for leadership in Latin America."

Brazil has not enjoyed such prominence in mining since the 18th and early 19th centuries, when it was the world's biggest gold producer. When other countries caught up, its boom-bust economy turned to coffee and rubber and a century went by before mining again became significant during the country's post-war industrialisation.

Although its mineral resources remain greatly under-exploited, however, Brazil is no lightweight. Government-controlled mining giant Companhia Vale do Rio Doce (CVRD), which may be privatised by next year, is the world's biggest exporter of iron ore. The country is also a big producer of bauxite, kaolin, manganese, gold, tin, gemstones and many industrial minerals. But the potential for expansion of the industry is enormous. Vast areas of Brazil - which covers 8.5m square kilometres, or about half of South America - remain unexplored, although gold is known to be present in most parts of the country.

Other than CVRD, which spends up to \$30m a year on exploration, few Brazilian companies have the resources to locate and exploit new mineral deposits. That means much investment has come from foreign companies. When the 1988 constitution limited foreign participation in mining operations to 49 per cent,

investment in exploration immediately dropped, from \$180m a year between 1980 and 1988 to around \$50m a year since then.

Some foreign companies were able to live with the restriction. RTZ-CRA, which has been in Brazil since 1971, says it has spent around \$10m a year on exploration in recent years, operating through joint ventures with local partners. "The change in the constitution means a lot in terms of freedom to operate, but the restriction never stopped us investing in exploration," says Mr Júlio Lamelas Carvalho,

New arrivals should hasten modernisation of gold mining, still largely carried out by wildcat gangs

financial director at RTZ-CRA's office in Brasília. "We always took a long-term view, and we always expected the restriction to be lifted eventually."

The same is true for some new arrivals. Barrick Gold, which has been in Brazil for three years, says it will spend at least 10 per cent of this year's \$62m worldwide exploration budget in Brazil. "The constitutional change didn't lead us to increase our budget, but we're very happy about it for operation reasons," says Mr Alan Hill, vice-president for corporate development in

Toronto.

For others, though, the end of the ban on foreign control acted like a starting gun for a new gold rush. According to the mines and energy ministry, about 60 foreign companies have sent delegations to Brazil for the first time since the end of last year, almost all of them interested exclusively in gold. Investment is rising accordingly. Mr Navarrete at the DNPM says spending on exploration should reach \$200m a year by the end of the decade.

The new arrivals should hasten the increasing modernisation of gold mining in Brazil, much of which is still carried out by wildcat "garimpeiros" working surface deposits. From a peak of about 300,000 in 1988, the number of garimpeiros has dwindled as surface mines have been exhausted; their share of Brazil's gold production has fallen from 90 per cent of the 40 tonnes produced in 1980, to 34 per cent of the 85 tonnes produced last year. As the garimpeiros move on, new entrants will drill deeper for underlying reserves.

Other changes are making the operating environment more attractive. One is the greater autonomy enjoyed by the DNPM since 1994. It is responsible for granting and overseeing mining licenses and for promoting investment in mining. Industry observers say the DNPM was regarded in the past as slow-moving and inefficient. Its new status, they say, has resulted in faster processing of licenses. Mr Navarrete's appointment in March was particularly welcomed. "He has good ideas, he should get the DNPM into shape," says one executive.

Some observers are concerned that CVRD and other Brazilian companies are sitting on exploration licenses for large parts of the country, leaving little room for new entrants. The DNPM grants licenses for three years, renewable for a further two; if it is not satisfied that licensees are actively exploring the property, the licence is revoked. "There's a general industry awareness that this system hasn't worked in the past," says another executive, "but the situation is certainly improving."

Recent changes in corporate income tax and withholding taxes on foreign companies have improved the fiscal position of foreign operators. But executives say Brazil still taxes heavily. Like local businesses, they want to see a reduction in the social security and other payroll taxes that add over 100 per cent in additional charges to the cost of paying each worker.

Mr Navarrete says the DNPM is lobbying for specific tax breaks for mining companies, but any progress is likely to take time.

Other costs have risen recently. Various government departments like to quote surveys showing that costs of mineral exploration in Brazil are on a par with those in Australia and much lower than in Canada.

Mining executives say this is true outside the Amazon basin. Inside the Amazon, where many foreign companies are looking for gold, transport and infrastructure costs are much higher. "Costs like air transport, drilling, vehicles, are absurdly high," says one executive. Despite these reservations, foreign executives are unanimously positive about Brazil's prospects. "We are very enthusiastic about Brazil. It's a very good place to be," says Hugh Leggett of Placer Dome's corporate affairs department in Vancouver. Mr Navarrete hopes more companies will feel the same way. With the capture in Brazil's economy over the past two years, he says, "Brazilian mining companies have not been able to supply the needs of local industry." He says the industry needs to invest \$4m in exploration and \$31m in production between now and 2000. "To achieve that, we need to keep improving the investment climate."

BRAZIL'S MINERALS PRODUCTION 1994

MINERAL	TONNES	US\$m (1992 values)
antimony	121,800	111.4
bauxite	6,280,800	228.6
kaolin	983,000	104.5
coal	4,336,800	103.3
copper	39,674	200.4
chromite	17,200	41.4
ferrous sinter	2,000,000	29.8
tin ore	22,500	132.9
iron	165,651,000	1,853.6
phosphates	3,533,000	220.1
fluorite	76,200	13.5
zinc	876,800	5.9
manganese	279,200	35.2
nickel	2,321,000	138.3
vanadium	16,508	96.8
niobium	14,400	13.3
gold	71,000 kg	911.5
potassium	230,400	48.5
zinc	157,304	174.3

Source: DNPM

■ BOLIVIA: by Sally Bowen

Exploration stampede

More than 35 companies have joined the latest hunt for precious metal deposits

It is a measure of the stirring of interest in Bolivian mining that investment in exploration has increased almost ten-fold in the past five years.

"We're sowing the seeds of the future," says Mr Fernando Loayza, Bolivia's under-secretary for mining. "At the start of this decade, annual investment in exploration and development of new mines was under \$2m a year. In 1994, that jumped to \$12m and last year it was \$48m. This year we expect private companies to put in around \$45m."

The 35-plus foreign companies, which include a large number of Canadian juniors but also some big names, are spread across the national territory though the bulk of exploration interest is in three main areas. These are the "Los Lipas" deposits in the south near the Argentine border, the pre-Cambrian shield to the east and the alluvial zone north of La Paz.

Most of the newcomers are in search of large deposits of precious metals: gold or, increasingly, silver. Much excitement surrounds the San Simon area, in the extreme east of Bolivia, close to the border with Brazil. Here Bolivia's Excalibur, headed by pioneering Corsican-born Mr Jean

Marc Teisserre, is in a joint exploration venture with Esquelcrest of Vancouver.

Prospectors have identified a gold-bearing anomaly at least 45km by 15km but "it's a mineralisation not known in Bolivia and, so far, no-one really understands it", he says. According to Mr Teisserre, the daunting security problems in the lawless frontier zone have now been controlled and agreements reached with the "barraquilleros" or informal miners already digging out gold with pick and shovel.

Much further east, in the pre-Cambrian zone, another gold deposit is due to come on stream in October. This is Fuego Norte, a joint venture between RTZ-CRA and Comsur, Bolivia's largest privately-owned mining company. "It's on schedule and within budget," says Mr John MacLean, RTZ-CRA's chief executive officer in La Paz. This is the first mechanised operation in eastern Bolivia and involves agitation leaching. The partners have invested some \$20m and Paquito Norte is expected to produce some 25,000 oz of gold annually from next year.

Gold is undoubtedly the new star in the Bolivian mining firmament. Official output rose from around 13 tonnes in 1994 to 15 tonnes last year (continuing to rise) with exports earning \$180m, more than any other metal. Battle Mountain's huge Inti Raymi operation - the second largest gold mine in

Latin America after Peru's Yanacocha - is responsible for the greater part of this.

"But within the next four years or so, Bolivia could easily have another eight gold mines on stream," says mining consultant Mr Charles ("Scotty") Bruce.

The gold-led recovery is a welcome change from the years of depression which followed the collapse of tin prices in the 1980s. Last year, minerals generated \$530m with \$428m sold outside the country (17 per cent more than in 1994), some 44 per cent of total export earnings. While gold accounted for around a third of that, zinc output topped 141,000 tonnes with exports earning \$16m or 27 per cent of the total as tin slipped to 17 per cent. Silver, for which Bolivia has been famous since colonial times, is undergoing a revival and, in 1995, accounted for 14 per cent of output by value.

Last year's sharp increase in zinc output (some 45 per cent up on 1994 and a near-record) is almost entirely due to the new Bolivar mine, a joint venture between Comsur/RTZ-CRA and state-owned Comibol. The private sector partners have invested \$15.5m in a new concentrator plant since successfully bidding for the ailing state mine in 1993. This year, in full operation, Bolivar should produce 88,000 tonnes of zinc, 1.5m oz of silver and 800 tonnes of lead.

Bolivar is an example of what can be achieved through the comprehensive divestiture

programme that Comibol has embarked on. The once-mighty state-owned company, which a few years ago produced almost two-thirds of all Bolivian mineral output, is already dramatically reduced: last year it was responsible for under 7 per cent of all production. Small miners and cooperatives (which group hundreds of individuals, mainly working in extremely primitive conditions) accounted for 36 per cent of output and medium-sized mining companies for the lion's share, 57 per cent, five per cent higher than in 1994.

Comibol continues to auction its undeveloped deposits. On July 12, private sector prospectors will have a fourth chance to acquire properties via joint ventures or leasing. Capitalisation (by which a "strategic partner" bids for 50 per cent of the state assets and brings in much-needed investment) of Comibol's tin and antimony smelters at Vinto has suffered considerable delay. Much of this responds to resistance by workers in the Huanuni and Colquiri mines which Comibol would like to include in the Vinto package.

Both are world-class, if relatively small, mines with many years of life ahead of them. Huanuni Gold of Australia, Glencore of Switzerland and Parana-Panama of Brazil, all pre-qualified to bid for Vinto, are believed to maintain a keen interest. So far, however, the hostile workers (870 of them between the two mines) have inhibited on-site inspections.

■ ARGENTINA: by David Pilling

The barriers have fallen

The removal of Argentina's bias against foreigners has opened the floodgates

A few years ago, Argentina did not figure on the mining map. But a handful of spectacular mineral finds, progress towards economic stabilisation and the overhaul of previously off-putting mining and investment codes have changed all that.

A recent poll of mining analysts placed Argentina first out of 140 countries as offering the best opportunities for discovering mineral resources. More than 50 mining companies from Canada, Australia and South Africa are already

exploring Argentina's almost virgin territory.

Foreign interest has been "spectacular", according to Mr Filipo Cassa, president of the Argentine chamber of mining entrepreneurs. He predicts that, based on current trends, Argentina could see \$3bn in mining investment over the next five years. Mining officials say the country could be exporting \$1m worth of minerals annually by 2000.

Interest in the sector was sparked by recent changes in the mining code, whose nation-

alist tendencies had for half a century blocked foreign investment in non-renewable resources.

The gap left by foreign capital had not been filled by local investors, who preferred to make money by speculating in the high-inflation economy, or reaping handsome profits from the country's rich agricultural land.

The market-oriented administration of President Carlos Menem has moved to reverse decades of neglect by seeking to promote mining investment. New laws offer foreign companies reasonable and constant tax levels for 30 years, as well as several investment incentives, such as the import of

capital equipment exempt of value-added tax.

The federal nature of the constitution, which gives each of Argentina's 24 provinces ownership rights over mineral resources in their jurisdiction, has been partially overcome by capping the royalties that provincial governments can charge. Many mining executives say that, at least on paper, Argentina's mining code is among the most attractive in the world.

Such changes have given rise to extensive exploration, both in the western Andean provinces, which share a

Continued on next page

■ VENEZUELA: by Raymond Colitt

First steps on the ladder

Mining companies are to be lured with incentives devised for the oil industry

By removing foreign exchange controls and implementing an overall economic stabilisation plan, Venezuela is trying to reassure foreign mining companies interested in the mineral-rich Guiana Shield, the mass of rock underlying almost half of Venezuela.

For decades the mining sector has been overshadowed by the Venezuelan oil industry. "The sector has been abandoned," says a minister of energy and mining, Mr Edwin Arrieta. "But we are determined to jump-start it by implementing proper legisla-

tion and opening the doors to foreign investment."

Congress is looking at legislation to open up the mining sector, currently dominated by the state-owned Corporación Venezolana de Guayana (CVG). It would introduce a regulated tender process for mining concessions instead of the old practice of allocating properties on a "first-come basis". Investors would team up

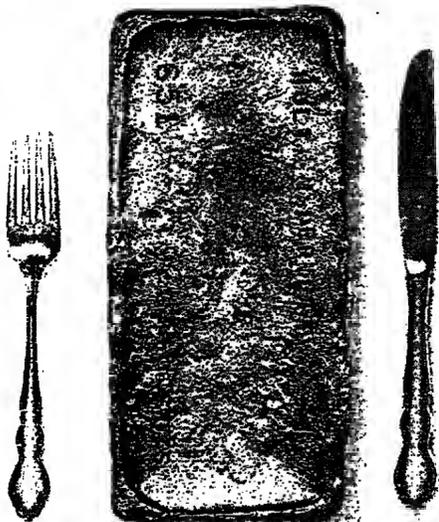
with a new state holding company similar to PDVSA in the oil sector, rather than with CVG or the ministry of mining. "The lack of a modern mining law is a serious drawback to operating in Venezuela," says Eric van Heys with Minarco Resources, the largest private gold producer in Venezuela and one of the companies that entered into a joint-venture with the CVG in a first semi-official attempt to attract foreign investment in the 1980's.

Monarch, which set up shop in Venezuela in 1987, operates and owns a 51 per cent share in the Revenim gold mill, which in 1994 produced 38,374 ounces. Beginning in May, 10,000 tonnes of hard rock feed per month from El Cielo Mining Corporation's Lo Increible property will boost the mill's gold output by some 25,000 ounces over the next year.

One disincentive could be a plan to raise royalties from 1 to 4 per cent. However, Mr Arrieta says he is having second thoughts about this. "Our main concern is to be competitive on the international level," he says.

Among foreign companies who are closely studying the government's thinking is Canada's Placer Dome, which recently presented its minority-share holding partner CVG with a half-billion dollar development plan for Las Cristinas gold deposit, the largest identified in Venezuela. With estimated mineable reserves of 8m ounces of gold, the operation could produce an average of 450,000 ounces of gold per year for 14½ years at an average total cost of \$310 per ounce, net of copper credits. A final authorisation hinges on the completion of talks to clarify the fiscal and regulatory regime. Mr Arrieta said that Placer Dome and the mining sector in general could also be given a special investment regime with "certain tax concessions" similar to those in the petroleum sector.

As well as gold, Venezuela sees potential in other minerals. A recent find of significant kimberlite deposits in the south-eastern state of Bolivar has increased hopes of boosting diamond reserves and production from its current 296,118 carats.



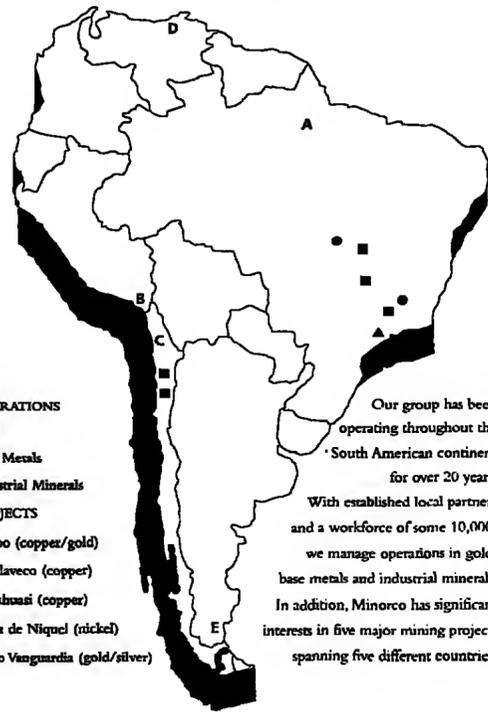
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IV LATIN AMERICAN MINING

■ PERU: by Sally Bowen

Everything must go

Copper and other reserves are to go under the hammer in a series of state auctions

After a quietish spell, mining privatisations - which jumped foreign investor interest in Peru - are set to recommence with the auction of the important copper deposit of Antamina in mid-May.

Antamina marks the unofficial kick-off of a second attempt to transfer state mining and refining giant Centromin to the private sector. After failing to attract a single bid when offered as one unit in May 1994, Centromin has now been split into a series of production units and undeveloped prospects.

"I have no doubt whatsoever that the Antamina sale will be successful," says Mr Juan Carlos Barcellos, president of Centromin and head of its Cerpi, or special privatisation committee.

Several major international companies are completing geological studies prior to the April 28 deadline for pre-qualification.

Located in the department of Ancash north-east of Cerro de Pasco, Antamina is one of Peru's prime copper prospects. Its 128m tonnes of proven and probable reserves also include important quantities of zinc, silver and molybdenum. Potential reserves stand at 913m tonnes, according to Centromin officials.

Peru is under pressure from multilateral organisations - and its current account deficit

- to speed up privatisations, so it seems likely that the ambitious timetable for Centromin will broadly be adhered to. Antamina is due to be followed by Quicay, a prospect in central Pasco department which has potential reserves of 15m tonnes of gold-bearing ore averaging 1.84 grams per tonne.

Two of Centromin's seven mines, polymetallic Yauricocha and the Casapalca silver and zinc mine, will follow. Mr Barcellos says there will be no more than six weeks between auctions.

Centromin's first stage sell-off is scheduled to culminate with bidding for the refinery complex at La Oroya. Rather than outright sale of assets or shares, privatisers will seek a capital injection to divest themselves of the hard-to-sell giant.

La Oroya is one of the world's few metallurgical complexes with the capacity to refine highly complex concentrates. It consists of two smelters, four refineries and a series of related circuits which together produce five main metals (copper, zinc, lead, silver and gold) plus 17 by-products and industrial chemicals.

The present smelter was commissioned in 1922 by the US-owned Cerro de Pasco Corporation, replacing the original, 1908 installation. Not surprisingly, the elderly complex (expropriated in 1974 by the then military government of General Juan Velasco) has built up a series of severe environmental liabilities over the years. These were instrumental in deterring potential bidders two years ago.

To improve matters this time, Centromin has eight World Bank-recommended environmental consultancies helping define which responsibilities will be assumed by the Peruvian state and which by the new owners. Part of the revenue from privatisation will be set aside for an environmental fund.

Centromin is Peru's largest producer of zinc, lead and silver. Last year, its mining and smelting operations produced almost 90,000 fine tonnes of lead, 68,000 tonnes of zinc, 65,000 tonnes of copper and 513 tonnes of silver. Centromin also sold more than 360,000 tonnes of zinc concentrates.

Last year's sales were almost \$540m, \$90m more than the 1994 total thanks to higher international prices. Profits, at \$38m, were sharply higher.

Transfer of Centromin to private sector ownership should boost long-absent investment in modern machinery and bring new technology to mines and refineries. Already-privatised deposits such as the copper mines of Tintaya and Cerro Verde (now owned and operated respectively by Magna and Cyprus Amax) have sharply raised output, Tintaya by an impressive 40 per cent last year alone.

New investments are already making an impact on overall mining production figures. Copper output was 10.8 per cent higher in 1995 than the previous year, at just under 405,000 tonnes. Silver was 9.6 per cent higher with output of 66,789,000 oz. Tin, too, was 10.1 per cent up as privately-owned Minisor kept up expansion.

But gold has been Peru's

most visible success story over the past three years. The extraordinary deposit of Yanacocha, in the northern Andean department of Cajamarca, continues to yield more gold-rich anomalies. A third mine has started production this year, and is conservatively expected to boost 1996 Yanacocha output to 626,000 oz.

Next year, when "Project X" comes on stream with a new plant and leaching pads and a fresh financing package, output will leap.

The Yanacocha joint venture between Newmont Mining of the US, Peru's Buenaventura and BRGM of France promises to remain the largest - and, with cash costs of under \$120 per oz, easily the most profitable - gold mine in Latin America for a long time.

Not all Peru's best prospects for the future depend on newcomers, however. Asarco-owned Southern Peru, the oldest-established foreign mining concern in the country and producer of more than 60 per cent of Peru's copper, is substantially increasing output. A new solvent-extraction/electrowinning plant is already functioning at Southern's Toquepala mine: it will produce some 39,000 tonnes of copper cathodes this year, equivalent to 9 per cent of national output.

Southern Peru is also considering a big expansion of its two huge open-pit mines. Last year, it announced a 60 per cent increase in proven and probable reserves to a total of 1.3bn tonnes of sulphides plus 678m tonnes of leachable reserves. Engineering studies are under way to determine how best to develop them.

owned by Minicorp, a 50:50 joint-venture between Argentine energy-based conglomerate Perez Companac and Minorco, the Luxembourg-quoted subsidiary of South Africa's Anglo American.

Barrick Exploraciones Argentinas, a subsidiary of Canada's Barrick Gold, already has more than 10 properties. Canadian companies, especially smaller ones, have been the quickest to sense opportunity in Argentina, as in the case of International Musto which last year cashed in its stake in the Alumbrera project

■ CANADIAN MINING COMPANIES: by Bernard Simon

Time to learn Spanish

Canadian mining executives are weighing the pros and cons of going south

Mrs Leticia Reid, a Mexican living in Toronto, earns her living by teaching Spanish to Canadian mining executives.

"I'm as busy as I'd like to be," says Mrs Reid, who has 15-20 pupils at any one time.

The demand for her services reflects the passion with which Canada's mining industry has embraced Latin America. The enthusiasm ranges from the highest producers, such as Barrick Gold, Cominco and Placer Dome, to modest exploration outfits, such as three-year old Ecnadorian Minerals, which is doing a feasibility study on a gold deposit in Ecuador.

The Canadians are active in almost every country in the region. Canada has in some recent years been the biggest foreign investor in Chile, thanks largely to mining. But Canadian geologists are also scouring Panama, Nicaragua, French Guyana and Suriname.

According to Metals Economics Group, a consultancy based in Halifax, Nova Scotia, the proportion of Canadian mining companies' exploration budgets earmarked for Latin America soared from 16 per cent in 1992 to 42 per cent in 1995, the highest among industrial countries.

Like their US, Australian and European counterparts, the Canadians have been attracted by the improved foreign investment climate in many Latin American countries.

An executive at Rio Algom, which has a stake in sizeable projects in Chile and Argentina, said that "the exploration and development potential has been well-known for many years. The thing that kept mining companies out was the relatively unstable political climate."

But a number of special factors have also fuelled Canadian interest.

Geography is one. Santiago is just one time zone ahead of Toronto. Mr Ian Delaney, chief executive of Sherritt International, which has a 50 per cent stake in Cuba's biggest nickel mine, notes that it takes less time to fly from Toronto to Havana than to the company's refinery at Fort Saskatchewan, Alberta.

The southward stampede started during a period of deep concern about mining's future in Canada. "We in the mining industry are under siege," Mr John Wilson, Placer Dome's chief executive, told a mining and metallurgy conference in 1993. "We are packing our bags and heading elsewhere."

The complaints centred on three main issues: tightening environmental curbs, land ownership disputes, and high taxes.

A maze of environmental laws - including overlapping federal and provincial jurisdictions - have slowed, and in some cases killed, new mining projects. Industry confidence sank to its lowest ebb in 1993 when British Columbia proclaimed a protected wilderness area on the site of the proposed Windy Crags copper mine in the remote Tatchers Valley.

Unresolved aboriginal land claims, sometimes involving similar action.

competing claims to the same piece of land, have complicated negotiations between mining companies and the authorities.

A spate of tax rises in the late 1980s and early 1990s pushed the mining tax rate to 51 per cent in British Columbia, and not much lower in other provinces. Placer Dome estimates that new BC tax measures cost it an extra C\$630,000 in 1993.

The mood in 1993-94 was reflected in Falconbridge's decision to move its main exploration office from Vancouver to Santiago. Several other companies threatened

The rush south was triggered by concern about Canada's own mining sector

similar action.

Since then, however, the climate has improved. "We do see light in Ottawa," says Mr George Miller, president of the Canadian Mining Association.

The current natural resources minister, Ms Anne McLellan, comes from oil-rich Alberta, and has emerged as a doughty advocate for the mining industry. The federal government began a review of mining regulations at the end of 1994 which is expected to address several industry concerns.

The provinces have shown a greater enthusiasm for mining development in the past year or two as the public's priorities have swung from conservation to job creation. Several mine applications have been approved, including in British Columbia.

Perhaps the highest shot in the arm to the Canadian industry has come from two big discoveries - diamonds in the Northwest Territories, and nickel at Votsey's Bay, Labrador.

An environmental review panel is currently studying plans by BHP, the Australian group, for a diamond mine in the Lac de Gras region, 300km north-east of Yellowknife. Votsey's Bay is set to become one of the world's biggest and lowest-cost nickel producers. Production is expected to start in 1999 or 2000, depending how quickly the federal and Newfoundland governments give the go-ahead.

"People will be watching to see whether approvals are given in a relatively straightforward fashion," Mr Miller says.

Despite its drawbacks, Canada retains significant attractions. Brook Hunt, the US consultancy, estimated in 1993 that the average miner at Highland Valley, a large British Columbia copper mine, earned 2.6 times more than his counterparts at Chuquibambilla in Chile. However, that was more than offset by estimates that the Canadian miner produced 4.8 times more ore each year.

Canada's efficient transport system means that mines need carry lower inventories of parts and supplies than many Latin American operations. An absence of exchange controls and a transparent public-sector decision process also help.

What's more, some mining executives would be delighted if they could be spared the time and trouble of learning a foreign language. Mrs Reid says that her pupils are intelligent and fun, but that learning Spanish "is not as easy as they thought it would be".

The opening of Argentina

Continued from page III

3,500km frontier with mineral-rich Chile, and in the southern provinces of Patagonia.

Vying for the prize of Argentina's biggest mining project are two copper-gold deposits in the northern province of Catamarca - Bajo de la Alumbrera and Agua Rica. Alumbrera, which is expected to yield 180,000 tonnes of copper and 640,000 troy ounces of gold for

19 years, is 50 per cent owned by MIM Holdings of Australia. Fellow partners in the project, which will cost about \$900m to develop, are North of Australia and Rio Algom of Canada, with 25 per cent each. Agua Rica, a deposit discovered just 35km from Alumbrera, could be even bigger.

A third project, Fatamina, which is owned by RTZ-CRA, could also rival Alumbrera and Agua Rica in size. Meanwhile,

bids for an exploration tender in a large area adjacent to the star Catamarca projects are due this month.

At the other end of the country, in the Patagonian province of Santa Cruz, the discovery of Cerro Vanguardia, a 9m-tonne gold deposit with an estimated 10 grams of gold and 110 grams of silver a tonne, has attracted more than 20 international prospectors to this southern region. Cerro Vanguardia is

owned by Minicorp, a 50:50 joint-venture between Argentine energy-based conglomerate Perez Companac and Minorco, the Luxembourg-quoted subsidiary of South Africa's Anglo American.

Barrick Exploraciones Argentinas, a subsidiary of Canada's Barrick Gold, already has more than 10 properties. Canadian companies, especially smaller ones, have been the quickest to sense opportunity in Argentina, as in the case of International Musto which last year cashed in its stake in the Alumbrera project

for C\$510m (\$370m) after an initial outlay of only US\$9m.

US companies have generally been slower to join the exploration frenzy, but FMC Lithco is developing a large lithium deposit, also in Catamarca.

Such stirrings within the mining sector do not mean there are no problems to overcome. Argentina has no track record in the mining industry and no mining tradition. Foreign companies investing here either have to train locals or bring in mining experts from their own country or from Chile, Bolivia and Peru.

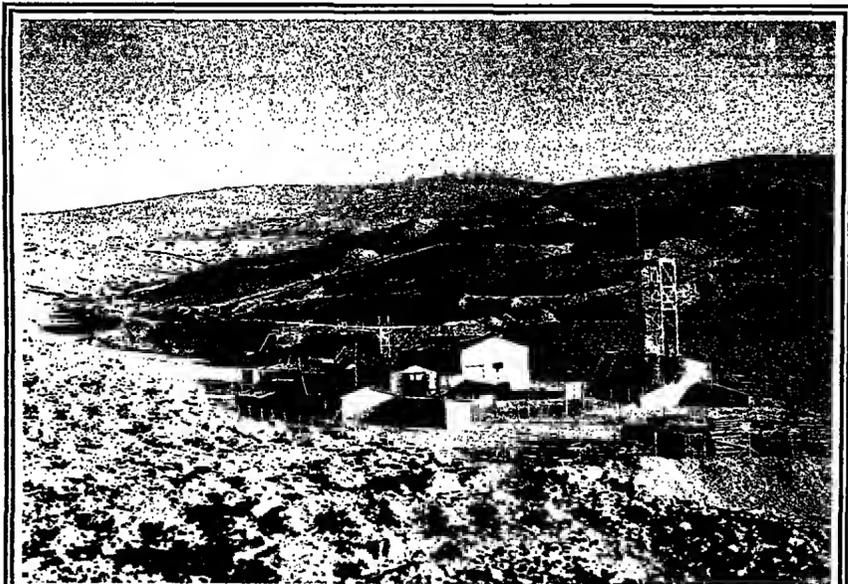
Some of the bigger companies that have not yet dipped their toe in Argentina say they are waiting to see how well current projects develop and how new mining regulations are interpreted in practice.

Some foreign executives that have already made the plunge complain that provincial officials, with whom mining business is often done, sometimes lack expertise to make quick and sensible decisions.

Neither do most of the mining provinces have the necessary infrastructure. The Alumbrera project is having to construct a 230km mineral pipeline to transport concentrate from Catamarca on its way to the port of Rosario, 600km further east. Argentina also lacks refining capacity.

However, the government is seeking to address remaining problems. It hopes, for example, to conclude a deal with Chile, which would allow companies in Argentina or Chile to exploit contiguous deposits on the other side of the border without having to renegotiate terms.

Mr Carlos Magariños, mining and industry secretary, in April secured \$80m in soft credits from the Inter-American Bank and the Eximbank of Japan to help finance new projects.



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Main table containing various fund listings with columns for fund name, unit price, and other details. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

MANAGED FUNDS NOTE: Prices are in pence unless otherwise stated. Units are in pence. Prices are shown to 2 decimal places. Prices are shown to 2 decimal places. Prices are shown to 2 decimal places.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector, including names like Guinness, Heineken, and Carlsberg, with their respective share prices and changes.

BANKS, MERCHANT

Table listing banks and merchant companies such as HSBC, Citibank, and Royal Bank of Canada, showing their share prices.

BANKS, RETAIL

Table listing retail banks like Lloyds Bank and National Westminster Bank.

BREWERS, PUBS & REST

Table listing breweries, pubs, and restaurants including Wm. & A. R. G. and Wm. & A. R. G.

BUILDING & CONSTRUCTION

Table listing companies in the building and construction sector like Bovis Lend Lease and Bovis Lend Lease.

BUILDING MATS & MERCHANTS

Table listing building materials and merchant companies.

CHEMICALS

Table listing chemical companies such as ICI, Shell Chemicals, and British Chemicals.

DISTRIBUTORS

Table listing various distributor companies.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies like BHP and British Steel.

ELECTRICITY

Table listing electricity companies such as British Energy and Scottish Power.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies like Rover and Jaguar.

ENGINEERING - Cont.

Continuation of the Engineering sector table.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies like Anglo American and Anglo Coal.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of the Extractive Industries sector table.

FOOD PRODUCERS

Table listing food producer companies like Unilever and Nestle.

GAS DISTRIBUTION

Table listing gas distribution companies.

HEALTH CARE

Table listing health care companies like Glaxo and SmithKline Beecham.

HOUSEHOLD GOODS

Table listing household goods companies like Hoover and Hoover.

INSURANCE

Table listing insurance companies like Aviva and Aviva.

ENGINEERING - Cont.

Continuation of the Engineering sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of the Extractive Industries sector table.

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Table listing food producer companies.

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INSURANCE

Table listing insurance companies.

INVESTMENT TRUSTS

Table listing investment trusts.

INVESTMENT TRUSTS - Cont.

Continuation of the Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing investment trusts with split capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

By meeting customer needs,
Rockwell has become a world leader in
components and systems for cars,
trucks, and trailers.



ENGINEERING - Cont.

Continuation of the Engineering sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of the Extractive Industries sector table.

FOOD PRODUCERS

Table listing food producer companies.

GAS DISTRIBUTION

Table listing gas distribution companies.

HEALTH CARE

Table listing health care companies.

HOUSEHOLD GOODS

Table listing household goods companies.

INSURANCE

Table listing insurance companies.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of the Extractive Industries sector table.

FOOD PRODUCERS

Table listing food producer companies.

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Table listing health care companies.

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Table listing household goods companies.

INSURANCE

Table listing insurance companies.

INVESTMENT TRUSTS

Table listing investment trusts.

INVESTMENT TRUSTS - Cont.

Continuation of the Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing investment trusts with split capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

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Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

HEALTH CARE - Cont.

Continuation of the Health Care sector table.

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Table listing household goods companies.

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Table listing insurance companies.

INVESTMENT TRUSTS

Table listing investment trusts.

INVESTMENT TRUSTS - Cont.

Continuation of the Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing investment trusts with split capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

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Continuation of the Investment Trusts with split capital table.

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Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS - Cont.

Continuation of the Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing investment trusts with split capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

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Continuation of the Investment Trusts with split capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of the Investment Trusts with split capital table.

صكنا من الامم

صكنا من الاصل

GM hits Electronics

...makes provisions

...James Kellogg

...could offer

...AG

SANDS

TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trustee Services Ltd' and 'The National Trust'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their performance metrics.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OIL, INTEGRATED

Table listing integrated oil companies.

OTHER FINANCIAL

Table listing other financial companies.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PROPERTY

Table listing property companies.

SUPPORT SERVICES

Table listing support services companies.

AIM

Table listing AIM companies.

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies.

AIM

Table listing AIM companies.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies.

AIM

Table listing AIM companies.

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service... Guide to London Share Service... Includes information on how to use the service and what it covers.

AMAZING OFFER! WE'LL PAY YOUR STAFF. CMG Creating shared success. Your business is running a business. So the less precious time you spend worrying about your payroll the better. Hand the problem over, lock stock and pay slip to CMG.

FT Share Service... FT Free Annual Reports Service... FT Company Focus... FT Cityline... Information about various FT services and how to access them.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'Low', 'High', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for 'D', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Race to Market. Hewlett-Packard advertisement with text: 'If the business decisions are yours, the computer system should be ours. http://www.hp.com/computing'

السوق المالية

Continued on next page



150

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

emix defends valuation

Luxembourg advertisement with text: 'Have your FT hand delivered in Luxembourg. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for subscribers throughout the Grand Duchy of Luxembourg. Please call +32 2 548 95 50 for more information. Financial Times. World Business Newspaper.'

FT GUIDE TO THE WEEK

MONDAY 22

Palestinian council convenes

The 450-strong Palestinian National Council meets in Gaza in what will be the first PNC meeting on Palestinian land. It will also be the first time that the Israeli-Palestinian peace accords are submitted to democratic discussion by Palestinian representatives both inside and outside the Palestinian territories.

IMF discusses debt policy

The policymaking "interim committee" of the International Monetary Fund meets in Washington. Topics under discussion include the world economy, standards for national economic data, public country debt and ways to deal with Mexican-style financial crises.

Rifkind fights EU over beef

Malcolm Rifkind, the British foreign secretary, will press the case for the early lifting of a worldwide ban on British beef when he meets EU foreign ministers. Mr Rifkind will make the case that the ban is not based on scientific evidence and should therefore be lifted.

UN acts against landmines



About 55 countries meet in Geneva in an attempt to agree a ban on certain landmines (to May 3). The United Nations estimates 110m mines are scattered in 64 countries, killing or maiming 20,000 civilians each year.

EU debates fish quotas

A flexible quota system will be among the main topics discussed at a meeting in Brussels of European Union fisheries



As elections in Israel loom, Shimon Peres, the prime minister, faces growing pressure to implement a ceasefire between Israel and Hizbollah in Lebanon

ministers. The system would provide for member states that exceed their quotas in one year to have their quotas cut by a proportional amount the following year.

King Sihanouk in Paris

King Norodom Sihanouk of Cambodia aims a four-day official visit to Paris, aimed at reinforcing political, economic and cultural links with France.

Cuba mission to UK

A Cuban trade delegation addresses a seminar in London organised by the Caribbean Trade Advisory Group to the British Overseas Trade Group.

Hanover industrial fair starts

The Hanover industrial fair, the world's largest, opens its doors to show off products exhibited by 7,221 companies from 69 countries - a record turnout expected to attract about 300,000 visitors (to April 27).

TUESDAY 23

OAS conference on terrorism

An inter-American conference on terrorism opens in Peru. Sponsored by the Organisation of American States, the meeting is expected to be attended by interior ministers from all member countries.

Saleroom



The most highly charged auction of the year opens in the evening at Sotheby's in New York - the start of the dispersal of about 1,200 objects from the Fifth Avenue apartment of Jacqueline Kennedy Onassis.

Greek PM visits Major, Bruton

Costas Simitis, the Greek prime minister, visits London and Dublin for talks with his UK and Irish counterparts, John Major and John Bruton.

settle the quarrel over sovereignty in the eastern Aegean.

EU acts on pricing

A new pricing system for packaged goods is likely to be approved by EU consumer affairs ministers in Luxembourg. The proposals oblige retailers to show the selling price of the item and the price per unit.

Public holidays

Belarus, Israel, Turkey.

WEDNESDAY 24

WTO in banana dispute



The dispute settlement body of the World Trade Organisation meets in Geneva to consider a request from the US and four Latin American banana producers for an independent panel to rule on the EU's banana import regime.

Yeltsin signs China deals

A project to transport Siberian gas to consumers in China is among the

commercial co-operation agreements to be signed when Boris Yeltsin, the president of Russia, visits Beijing (to Apr 25). Mr Yeltsin will also be pushing the interests of Russian contractors in China's \$30bn Three Gorges dam project.

Sect leader on trial

The Tokyo district court opens the first hearing in the trial of Shoko Asahara, the leader of the mystical sect Aum Shinrikyo. Asahara is accused of masterminding last year's nerve gas attack on the Tokyo subway, in which 12 people died and more than 6,000 became ill.

Football

The countdown to the finals of the European football championship continues with a "friendly", England v Croatia, Wembley stadium, London.

Public holidays

Armenia, Israel, Niger, Sudan.

THURSDAY 25

WTO telecoms deadline

The deadline falls for tabling final market-opening proposals in World Trade Organisation talks on liberalising the global telecommunications markets.

Public holidays

Australia, Cook Islands, Egypt, Iceland, Italy, New Zealand, Portugal, Swaziland, Tonga, Western Samoa. Also, depending on the sighting of the moon, Bahrain, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, United Arab Emirates.

FRIDAY 26

Peru gas deal on line

Lengthy negotiations between the Peruvian government and a Shell-Mobil consortium are scheduled to culminate in an announcement on the vast Camisea natural gas deposits in the Cuzco department. Shell discovered the deposits almost a decade ago, but progress has been hampered by political, economic and logistical problems.

FT Survey

Quarterly Review of Personal Finance (UK only).

Public holidays

Tanzania.

SATURDAY 27

Elections kick off in India

The world's biggest election begins in India with the first of six staggered polling days to elect the country's eleventh parliament since independence. With an electorate of 590m and more than 5m officials supervising 800,000 ballot stations, the poll is a giant feat.

UN trade role reviewed

The ninth quadrennial United Nations Conference on Trade and Development convenes in South Africa, when delegates will assess the changing role of the UN in an era of rapid economic globalisation.

Rugby League

Silk Cut Challenge Cup final, Wembley, London.

Horse racing

Whitbread Gold Cup steeplechase, Sandown Park racecourse, near London.

FT Surveys

Quarterly Review of Personal Finance (UK only).

Public holidays

Sierra Leone, Slovenia, South Africa.

SUNDAY 28

Clinton gives video testimony



US President Bill Clinton testifies at the trial of Jim Guy Tucker, the Arkansas governor, and his former partners, James and Susan McDougal, in the Whitewater real estate venture.

Motor racing

Formula One European grand prix, Nurburgring, Germany.

Public holidays

Bangladesh, Malaysia, Singapore. Also, depending on the sighting of the moon, Egypt, Tunisia, Turkey.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

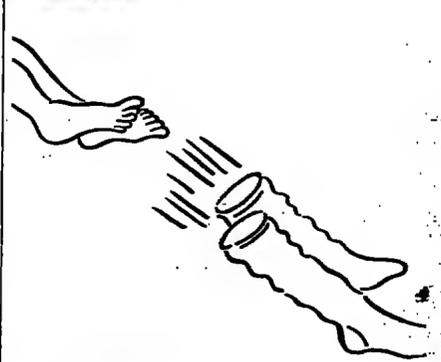
Statistics to be released this week

Table with columns for Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, and Previous Actual. It lists various economic indicators for countries like US, Japan, UK, France, Germany, and Australia.

Other economic news

Monday: Britain's M4 money supply growth is expected to have slowed last month but it is still thought to be above the government's target rate. Tuesday: The Confederation of British Industry's latest industrial trends survey will provide a snapshot of the health of UK manufacturing.

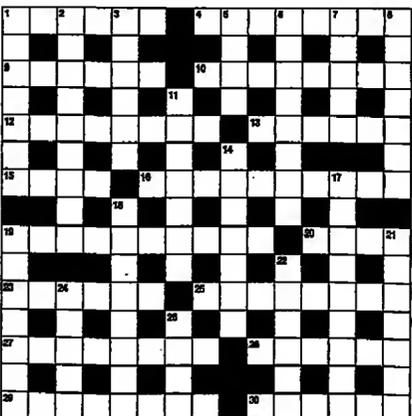
MORSE



Just announced. Sun's new 'Enterprise' range of servers. Desktop to mainframe-class scalability. With reliability, network performance, storage capability and sheer speed that will blow your socks off.

MONDAY PRIZE CROSSWORD

- 1 A lever used to take the lid off (6)
4 Enters uninvited and is turned out (8)
9 Job centre cuts out slumps (6)
12 High-pitched river battle (8)
13 Ball for a Pekingese? (8)
15 He may make a score or interest one (8)
17 Lady love is after the money (4)
18 Slump causing gloom (10)
19 Fatted calf was just the ticket for the prodigal son (6,4)
20 It takes a lot of beating (4)
23 Yarn that's embroidered (6)
25 Did some relief work (8)
27 Unfortunately I'd a purse lifted (8)
28 The buck stops here (6)
30 Go off and become a cyclic, perhaps (4,4)
31 Let Eva twirl in the dance (6)



MONDAY PRIZE CROSSWORD

No.9,049 Set by DANTE. A prize of a Pelikan New Classic 80 fountain pen for the first correct solution opened and five runner-up prizes of £26 Pelikan vouchers will be awarded. Solutions by Thursday May 2, marked Monday Crossword 9,049 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8HT. Solution on Monday May 6. Please allow 28 days for delivery of prizes.

W.G.H. Tacker, Dagenham, Essex. E. Adams, London SE1. Pam James, Gosport, Kent. D. Kelmscott, Hatfield Wood, Herts. Diane Revzin, Brussels, Belgium. N.J. Sumnerhayes, Camberley, Surrey.

Advertisement for Sun Computers featuring the Morse logo and contact information for Sun Computers at 0181 232 8888. Includes a 'JOTTER PAD' graphic.

Handwritten Arabic text: صكتا من الالهي